Manitoba

Annual Report
1999 - 2000

Finance

Special Operating Agencies Financing Authority

Includes 10% post-consumer waste

101-00119/

Minister of Finance

Room 103
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable Peter M. Liba, C.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

I have the privilege of presenting for the information of Your Honour the Eighth Annual Report of the Special Operating Agencies Financing Authority for the fiscal year ended March 31, 2000.

Respectfully submitted,

Greg Selinger

Honourable Greg Selinger
Minister

Manitoba

Finance

Treasury Board Secretariat

2nd Floor - 386 Broadway
Winnipeg, Manitoba
R3C 3R6

Honourable Greg Selinger
Minister of Finance
Room 103, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Minister:

I have the honour to submit for your consideration the Eighth Annual Report of the Special Operating Agencies Financing Authority for the fiscal year ended March 31, 2000.

Respectfully submitted,

John K. Wilkins
Chairperson,
Special Operating Agencies Financing Authority

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The Special Operating Agencies Initiative

The Manitoba Government adopted Special Operating Agencies (SOAs) as a program delivery and financing option in 1992. SOAs are service operations within government granted more direct responsibility for results and increased management flexibility needed to reach new levels of performance. Through strengthened accountability to their Minister and central government, they can improve the delivery of services by:

- ensuring operations are clearly defined and well understood;
- setting demanding performance goals and developing strategies for attaining them;
- applying the best public sector management practices; and
- monitoring performance to ensure continuous progress toward goals.

The aim of SOAs is to give greater authority and scope to managers and employees to encourage initiative, enhance service, and reduce the cost of government. Service and management improvements are built on pride in the capabilities and dedication of the professional Civil Service. The ultimate success of SOAs depends on people and the enthusiasm they bring to the job.

SOAs exist somewhere along an organizational continuum between a government department and a Crown corporation. Candidates can be direct public services, internal services to government, science and technology services, or regulatory and enforcement programs. In addition to accounting fully for their operations, they must be dedicated to improving service quality and efficiency.

SOAs are a manifestation of the *New Public Management*, variations of which have proven successful at the federal level in Canada and abroad. Encouraged by these experiments, the development of SOAs in Manitoba is a matter of government policy, consistent with continuing internal reform efforts.

The Fleet Vehicles Agency was established as the first SOA in Manitoba and at the provincial level in Canada. It serves government transportation needs with 20% fewer vehicles, at 5% below market prices, for an estimated saving of close to $6 million annually. Building on this success, the complement of SOAs has reached seventeen, representing 5% of the Civil Service and $107 million in business for government. The schedule of SOAs follows.

MANITOBA'S 17 SPECIAL OPERATING AGENCIES

1992/93
Fleet Vehicles Agency

1993/94
Materials Distribution Agency

1994/95
Organization and Staff Development
Vital Statistics Agency

1995/96
Civil Legal Services
MERLIN
Land Management Services
Pineland Forest Nursery

1996/97
Companies Office
Manitoba Text Book Bureau
Mail Management Agency
Industrial Technology Centre
The Public Trustee
Office of the Fire Commissioner
Food Development Centre

1997/98
The Property Registry

1999/2000
Manitoba Securities Commission

The Province continues to refine the concept of SOAs, and additional agencies may be introduced in future years based on priority and acceptability.

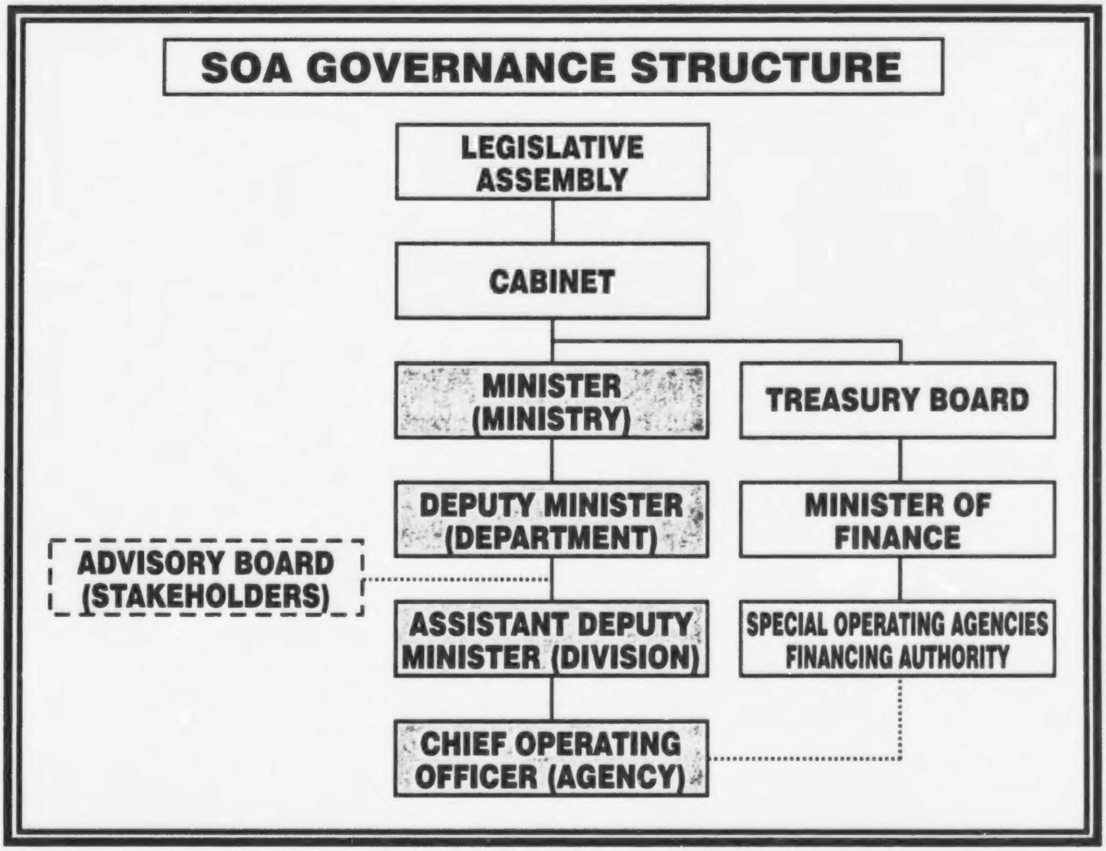
Other governments are looking increasingly to Manitoba's initiative as a model for their operations. SOAs are seen as a practical, enterprising response to the very difficult fiscal and service delivery challenges facing government today.

The Special Operating Agencies Financing Authority

The SOA Financing Authority was established April 1, 1992 under authority of ***The Special Operating Agencies Financing Authority Act***. Through its Chairperson, the Financing Authority operates under the direction of the Minister of Finance. Treasury Board acts as the primary decision-making body, while the Department of Finance and Treasury Board Secretariat supply staff support.

The Financing Authority provides a mechanism for funding SOAs outside the parameters of the Consolidated Fund. It holds and acquires assets associated with SOA operations and finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like way within government policy expectations.

Each agency has an operating charter and management agreement that outline its individual governance and administrative arrangements. Accountability is assured through annual business plans, audits, and reports forwarded through its advisory board to the Financing Authority. In turn, the Financing Authority is audited and submits an annual report on overall SOA operations to the Minister of Finance for tabling in the Legislature. The governance structure is depicted below.


SOA GOVERNANCE STRUCTURE
LEGISLATIVE ASSEMBLY
CABINET
MINISTER (MINISTRY)
TREASURY BOARD
DEPUTY MINISTER (DEPARTMENT)
MINISTER OF FINANCE
ADVISORY BOARD (STAKEHOLDERS)
ASSISTANT DEPUTY MINISTER (DIVISION)
SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
CHIEF OPERATING OFFICER (AGENCY)

The Chairperson of the Financing Authority is also the SOA Coordinator, who reports to the Secretary to Treasury Board. The mission is:

> *To provide corporate leadership, direction, and coordination of the Special Operating Agencies reform initiative, with a view to continuously improving the quality of management and services across the Manitoba Government.*

The position is responsible for coordinating the planning, design, implementation, and evaluation of SOAs. The coordination role requires the incumbent to:

- provide overall planning and consultative support to departments in the prioritized examination of SOA status for their best candidates;
- facilitate and support awareness, orientation, education, information-sharing, and dialogue among stakeholders and with other interested parties;
- explore and nurture complementary management and service improvements arising from SOA consultative work; and
- contribute through teamwork and professional competence to the role of Treasury Board in managing change.

Approximately 20% of the incumbent's time is devoted to the governance role as Chairperson and sole member comprising the Financing Authority. In this capacity, the incumbent oversees and manages the Financing Authority's affairs in compliance with statutory, policy, and management requirements. Much of this work concerns final approvals leading to start-up of new SOAs, as well as ongoing accountability requirements for established SOAs.

The Treasury Board Secretariat provides for the Chairperson's/SOA Coordinator's basic salary, benefits, and operating costs in support of this corporate initiative. In addition, SOAs are assessed an annual levy to fund identifiable expenses associated with Financing Authority operations. The levy is prorated against the Financing Authority's annual budget based on each SOA's projected gross revenue.

1999/2000 Operations

The operations of the Financing Authority for the fiscal year ended March 31, 2000 were limited to the operations and financial results of the seventeen SOAs. The auditors' opinions and related management reports are included with the agencies' financial statements as an appendix to this report.

The financial results presented herein do not necessarily correspond to the results presented in some agencies' statements. As explained in Note 10 to the Financing Authority's combined statements, the Province adopted a revised approach for calculating SOA pension liability based on an updated actuarial valuation, indexation, and an error in the original methodology. These changes were communicated after some SOAs had already completed their audits, such that adjustments to the pension liability were not reflected in their audited statements. The Financing Authority reflected the required adjustments for all SOAs in its combined statements and annual report. Affected SOAs are expected to restate the pension liability retroactively in their 2000/01 financial statements to conform to the Financing Authority's presentation.

For 1999/2000, MERLIN has changed from a June 30 to a March 31 year-end. Its audited financial statements are presented for the nine months ended March 31, 2000, in addition to its audited statements for the fiscal year ended June 30, 1999.

Financial Highlights

- Transfer of $869,968 in assets from the Province of Manitoba to the Financing Authority related to the continuing operations of the Manitoba Securities Commission, $727,617 of which was assumed as debt repayable to the Province.

- Decrease of $1,211,000 (1999 - $899,600) in the balance of long-term debt to $7,910,000 (1999 - $9,121,300).

- Aggregate authority of up to $18,570,000 (1999 - $18,570,000) in working capital advances at any one time, $7,412,000 (1999 - $9,666,500) of which was utilized at fiscal year-end.

- Transfer of $8,140,000 (1999 - $8,000,000) in designated surpluses to the Consolidated Fund on behalf of the Fleet Vehicles Agency ($2,000,000), Materials Distribution Agency ($200,000), Vital Statistics Agency ($190,000), Civil Legal Services ($500,000), Land Management Services ($500,000), Companies Office ($1,250,000), The Property Registry ($2,800,000), and Manitoba Securities Commission ($700,000).

- Increase of $2,600,000 (1999 - $2,610,000) in the balance of retained earnings to $26,445,000 (1999 - $23,845,000).

Preparations for New Agencies and Subsequent Events

During 1999/2000, the Financing Authority did not arrange SOA status for any new agencies. Work with a shortlist of candidates continued into 2000/01.

Assets with a net value of $727,617 were transferred from the Province to the Financing Authority upon designation of the Manitoba Securities Commission as a SOA on April 1, 1999. The Financing Authority assumed the entire value of the assets as debt repayable over five years. The Commission was authorized to prepay $582,163 in principal and interest on April 1, 2000, resulting in $101,737 in interest savings and retirement of long-term debt four years ahead of schedule.

Accomplishments

In the past year, the Chairperson/SOA Coordinator:

- guided the six next-best candidates along the SOA development process;
- participated on the Steering Committees overseeing evaluation of the seven SOAs designated in 1996/97;
- delivered twelve SOA-related seminars, briefings, workshops, and public presentations, including two national and two international events;
- hosted delegations and responded to enquiries involving eight non-government organizations and thirteen jurisdictions from across Canada and abroad;
- responded to requirements for the Independent Financial Review, including a proposal on Alternative Service Delivery;
- reviewed and advised on seventeen common policy matters for SOAs;
- implemented the fourteen follow-up actions identified in the progress report on the Provincial Auditor's 1994/95 value-for-money audit; and
- prepared and issued the 1998/99 Financing Authority annual report.

The Commonwealth Association for Public Administration and Management (CAPAM) recognized Manitoba's SOAs for transforming service to the public. The SOA initiative was selected as a semi-finalist from among 121 entries from 24 countries for the inaugural CAPAM International Innovations Awards. It was accorded special "Honourable Mention".

2000/01 Plans

In the coming year, the Chairperson/SOA Coordinator will:

- guide the six next-best candidates along the development process for potential 2001/02 or subsequent start-up;
- participate on the Steering Committees overseeing evaluation of MERLIN and the Pineland Forest Nursery;
- deliver a minimum of ten SOA-related seminars, briefings, workshops, and public presentations;
- formulate forward-looking strategies for SOA development;
- develop a policy on SOA revenue sharing;
- test and refine an Alternative Service Delivery framework; and
- prepare and issue the 1999/2000 Financing Authority annual report.

Agency Results through 1999/2000

The following pages profile the operations and performance of the seventeen SOAs operating during the 1999/2000 fiscal year. The agencies' 1999/2000 annual reports should be consulted for further information.

The SOA balanced scorecard summarizes world-class outcomes in delivering services for Manitobans.

Combined financial results:

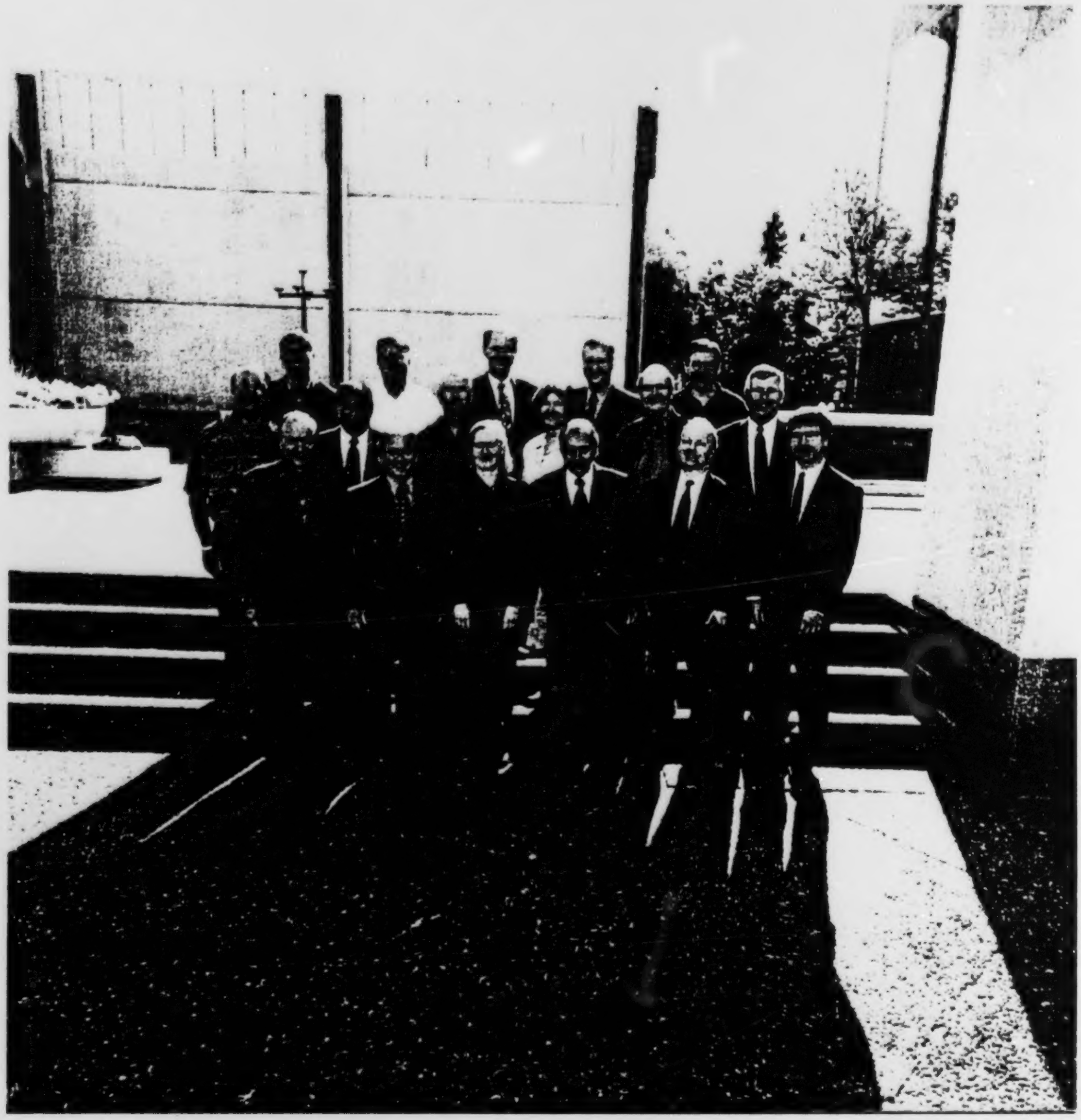
- 17% ($20 million) cost-savings to government in 1999/2000
- 33% ($26 million) growth in revenues through 1999/2000
- 213% ($61 million) growth in assets through 1999/2000
- 98% ($11 million) repayment of debt owing to the Province through 1999/2000
- 155% ($27 million) return on Manitoba's contributed equity through 1999/2000
- $34 million in surpluses committed to the provincial treasury through 2000/01.

Private sector economic development:

- 208 new jobs and contractor spin-offs through 1999/2000
- $100 million in current and future years' sales, R&D, cost-savings, and investment through 1999/2000.

Improved service (averaged across SOAs reporting relevant metrics):

- 44% increase in the selection of services available to clients through 1999/2000
- 90% on-time response to client requests in 1999/2000
- 46% increase in service volume through 1999/2000
- 120% increase in clientele through 1999/2000
- 93% client/stakeholder satisfaction in 1999/2000
- 100% client retention in 1999/2000.



SPECIAL OPERATING AGENCIES SEMI-ANNUAL MEETING
Manitoba Centennial Concert Hall, Winnipeg - September 17, 1999

First Row (left to right): Gerry Offet - Food Development Centre; Don Katz - Mail Management Agency; Irene Hamilton - The Public Trustee; Doug Parnell - Land Management Services; Rick Wilson - The Property Registry; Dan Kerr - MERLIN.

Second Row (left to right): Dennis Ducharme - Fleet Vehicles Agency; Lanny Kingerski - Manitoba Text Book Bureau; Tom Hague - Civil Legal Services; Caroline Kaus - Vital Statistics Agency; Herb Robertson - Organization and Staff Development; John Wilkins - Financing Authority.

Third Row (left to right): Trevor Cornell - Industrial Technology Centre; Chuck Sanderson (for Doug Popowich) - Office of the Fire Commissioner; Myron Pawlowsky - Companies Office; Clif Eden (for Tracey Danowski) - Materials Distribution Agency; Bob Bouchard (for Don Murray) - Manitoba Securities Commission.

Missing: Ivan Balenovic - Pineland Forest Nursery.

SOA	Department	Contact	Designation	Mandate
Fleet Vehicles Agency	Highways and Government Services	Dennis Ducharme Chief Operating Officer 626 Henry Avenue Winnipeg, MB R3A 1P7 (204) 945-3680 (204) 957-1109 (fax) dducharme@fva.gov.mb.ca www.fva.gov.mb.ca	April 1, 1992	To provide complete vehicle management services for the Manitoba Government and broader public sector.
Materials Distribution Agency	Highways and Government Services	Don Katz Acting Chief Operating Officer 1680 Church Avenue Winnipeg, MB R2X 2W9 (204) 945-6043 (204) 948-2737 (fax) dkatz@gs.gov.mb.ca	April 1, 1993	To provide complete materials management services for the Manitoba Government and broader public sector.
Organization and Staff Development	Civil Service Commission	Herb Robertson Director 935 - 155 Carlton Street Winnipeg, MB R3C 3H8 (204) 945-4865 (204) 948-2165 (fax) hrobertson@csc.gov.mb.ca www.gov.mb.ca/csc/osd	April 1, 1994	To provide training and consulting services that support implementation of corporate human resource priorities and that improve organization effectiveness in the Manitoba Government and broader public sector.
Vital Statistics Agency	Consumer and Corporate Affairs	Caroline Kaus Director 254 Portage Avenue Winnipeg, MB R3C 0B6 (204) 945-8178 (204) 945-0424 (fax) ckaus@cca.gov.mb.ca	April 1, 1994	To register and issue certificates for all vital events occurring in Manitoba, including births, marriages, deaths, stillbirths, and changes of name.
Civil Legal Services	Justice	Tom Hague Director 730 - 405 Broadway Winnipeg, MB R3C 3L6 (204) 945-2846 (204) 948-2041 (fax) thague@jus.gov.mb.ca	April 1, 1995	To provide legal services that meet the needs of the Manitoba Government and its agencies, boards, commissions, and Crown corporations.
Manitoba Education, Research and Learning Information Networks (MERLIN)	Education and Training	Dan Kerr Chief Operating Officer 815 – 1661 Portage Avenue Winnipeg, MB R3J 3T7 (204) 945-3206 (204) 948-2222 (fax) dkerr@merlin.mb.ca www.merlin.mb.ca	April 1, 1995	To coordinate and support the educational use of technology by Manitoba students in elementary, post-secondary, and other training facilities.
Land Management Services	Highways and Government Services	Doug Parnell Chief Operating Officer 308 - 25 Tupper Street North Portage la Prairie, MB R1N 3K1 (204) 239-3520 (204) 239-3560 (fax) dparnell@lms.gov.mb.ca www.landmgmt.gov.mb.ca	April 1, 1995	To provide complete real estate services for the Manitoba Government and broader public sector.
Pineland Forest Nursery	Conservation	Ivan Balenovic Chief Executive Officer Box 45 Hadashville, MB R0E 0X0 (204) 426-5235 (204) 426-2106 (fax) ibalenovic@nr.gov.mb.ca	April 1, 1995	To make a direct contribution to the success of reforestation programs by continually improving and supplying superior quality products and services to clients in Canada and the United States.

Staffing	1999/2000 Financial Results ($000)			Key Results through 1999/2000
		Actual	Budget	
48	Revenue	21,011	20,262	• 10% average annual return on sales • $8.2 million long-term debt retired fifteen years ahead of schedule • 20% fewer vehicles in fleet by 1995, resulting in $5 million annual cost-saving • 5% lower rates, resulting in $850,000 price break to client departments • 32% decrease in days sales in receivables in 2000 • >90% productivity ratio for maintenance and repairs • <1% client comeback rate • 100% client retention following conversion to optional services in 1996
	Expenses	(18,836)	(18,142)	
	Net Income (Loss)	2,175	2,120	
	Revenue Sharing	(2,000)	(2,000)	
	Retained Earnings/Reserves	9,903	9,503	
43	Revenue	18,898	16,670	• $732,200 original and $513,600 subsequent long-term debt retired six and three years ahead of schedule, respectively • $148,000 sales volume discounts for preferred clients in 2000 • $480,000 annual cost-saving in cutting supplier cheques • 50% increase in commodity line to 3,930 items • 50% increase in government client base to 2,400 customers • 30,000 new public clients under Home Care Equipment and Supplies Program in 1997 • 238% increase in sales • >97% response to orders within time standards • >99% supply of in-stock items
	Expenses	(18,213)	(16,390)	
	Net Income (Loss)	685	280	
	Revenue Sharing	(200)	(200)	
	Retained Earnings/Reserves	3,415	2,576	
9	Revenue	1,075	1,092	• $13,200 long-term debt retired two years ahead of schedule • 55% increase in engagements • 294% increase in customized training and consulting projects • 218% increase in vendor partnerships, from 35% to 76% of engagements • >88% client satisfaction rating, with <1% refunds in 2000
	Expenses	(1,135)	(1,042)	
	Net Income (Loss)	(60)	50	
	Retained Earnings/Reserves	182	291	
31	Revenue	2,388	2,170	• 26% improvement in registration response times to 3.7 days in 2000 • 50% immediate response to clients on status of service applications in 2000 • 54% response to client service requests within time standards in 2000 • 14% increase in certificate volume in 2000 • 8% productivity gain in services processed in 2000 • 100% conversion of irreplaceable vital events records to microfilm • 98% hit rate on records in the data base
	Expenses	(2,245)	(2,130)	
	Net Income (Loss)	143	40	
	Revenue Sharing	(190)	(190)	
	Retained Earnings/Reserves	1,618	1,461	
38	Revenue	3,648	3,477	• $9,500 long-term debt retired four years ahead of schedule • $3.6 million cost-saving to government in 2000 • 29% volume/productivity increase • 97% client satisfaction rating in 2000
	Expenses	(3,604)	(3,599)	
	Net Income (Loss)	44	(122)	
	Revenue Sharing	(500)	(500)	
	Retained Earnings/Reserves	501	217	
12	Revenue	1,849	1,361	• 34% reduction in funding under departmental service agreement • $910,000 cost-saving to education sector for Internet, web manager, network/technical consulting, audio/video conferencing, software brokerage, and training services in 2000 (nine months) • $8 million Manitoba Learning Network project involving nineteen school divisions • $2.7 million post-secondary project, involving seven universities and colleges • 91% client satisfaction rating in 2000
	Expenses	(1,729)	(1,438)	
	Net Income (Loss)	120	(77)	
	Accumulated Deficit	(334)	(512)	
	Note: audited results for nine months ended March 31, 2000; budget for twelve months ending June 30, 2000.			
34.5	Revenue	2,752	2,938	• $6.5 million annualized cost-saving in grants-in-lieu of taxes from assessment reviews • $3.9 million new revenue from sale or lease of surplus government land and buildings • 26% price break on best market rates • 163% increase in clients
	Expenses	(2,559)	(2,416)	
	Net Income (Loss)	193	522	
	Revenue Sharing	(500)	(500)	
	Retained Earnings/Reserves	530	1,195	
22	Revenue	4,247	3,495	• 320% increase in private sector revenue • 69% increase in production capacity to 22 million seedlings • 171% increase in number of clients to 19 • 911% increase in seed processing • 97% achievement of targets and quality standards in 2000
	Expenses	(4,128)	(3,502)	
	Net Income (Loss)	119	(7)	
	Retained Earnings/Reserves	734	806	

SOA	Department	Contact	Designation	Mandate
Companies Office	Consumer and Corporate Affairs	Myron Pawlowsky Chief Operating Officer 1010 - 405 Broadway Winnipeg, MB R3C 3L6 (204) 945-4206 (204) 945-1459 (fax) mpawlowsky@cca.gov.mb.ca www.gov.mb.ca/cca/comp_off.html	April 1, 1996	To register and search the names of all businesses and corporations operating in Manitoba.
Manitoba Text Book Bureau	Education and Training	Lanny Kingerski Chief Operating Officer 130 - 1st Avenue West P.O. Box 910 Souris, MB R0X 2C0 (204) 483-4040 (204) 483-3441 (fax) lkingerski@edu.gov.mb.ca www.edu.gov.mb.ca/metks4/curricul/learnres/mtbb/	April 1, 1996	To provide Manitoba schools with cost-effective educational learning resources and related products recommended by the Department of Education and Training.
Mail Management Agency	Highways and Government Services	Don Katz Chief Operating Officer Lower Level, 200 Vaughan Street Winnipeg, MB R3C 1T5 (204) 945-4668 (204) 945-5753 (fax) dkatz@gs.gov.mb.ca	April 1, 1996	To provide centralized mail services to the Manitoba Government and broader public sector, enabling clients to expedite their products, information, and correspondence through the most appropriate distribution channels.
Industrial Technology Centre	Industry, Trade and Mines	Trevor Cornell Chief Operating Officer 1329 Niakwa Road East Winnipeg, MB R2J 3T4 (204) 945-6126 (204) 945-1784 (fax) tcornell@itc.mb.ca www.itc.mb.ca	April 1, 1996	To provide a wide range of technical services to business, industry, and government in support of technology-based economic development in Manitoba.
The Public Trustee	Justice	Anne Bolton Public Trustee 13th Floor, 405 Broadway Winnipeg, MB R3C 3L6 (204) 945-2703 (204) 948-2251 (fax) abolton@jus.gov.mb.ca	April 1, 1996	To provide professional and cost-effective trustee services of last resort that meet client needs and protect the interests of Manitobans.
Office of the Fire Commissioner	Labour	Doug Popowich Fire Commissioner 504 - 401 York Avenue Winnipeg, MB R3C 0P8 (204) 945-3328 / 726-6855 (204) 948-2089 (fax) dpopowich@labour.gov.mb.ca	April 1, 1996	To safeguard persons and property in Manitoba from fire and life safety hazards through education, investigation, emergency response, and code application.
Food Development Centre	Agriculture and Food	Dave Donaghy Acting General Manager 810 Phillips Street Portage la Prairie, MB R1N 3J9 (204) 239-3167 / 945-3736 (204) 239-3180 / 945-5218 (fax) ddonaghy@agr.gov.mb.ca www.fdc.mb.ca	April 1, 1996	To facilitate the creation or expansion of agri-food businesses that support the continuing development of Manitoba as a global source of high quality processed food products.
The Property Registry	Consumer and Corporate Affairs	Rick Wilson Registrar General 14th Floor, 405 Broadway Winnipeg, MB R3C 3L6 (204) 945-2243 (204) 948-3276 (fax) rmwilson@cca.gov.mb.ca www.gov.mb.ca/cca/landtitl.html www.gov.mb.ca/cca/personp.html	April 1, 1997	To maintain land records, issue certifications of titles to land, and provide the public with reliable information on financial interests in personal property in Manitoba.
Manitoba Securities Commission	Consumer and Corporate Affairs	Don Murray Chairman 1130 - 405 Broadway Winnipeg, MB R3C 3L6 (204) 945-2548 (204) 945-0330 (fax) dmurray@cca.gov.mb.ca	April 1, 1999	To protect Manitoba investors, facilitate raising of capital, and maintain fairness and integrity in the securities marketplace; also, to regulate real estate brokers, salespeople, and mortgage dealers for public protection.

Staffing	1999/2000 Financial Results ($000)			Key Results through 1999/2000
		Actual	Budget	
27	Revenue	3,636	3,265	• 51% increase in client on-line information searches
	Expenses	(1,822)	(1,878)	• 92% client satisfaction rating in 2000
	Net Income (Loss)	1,814	1,387	• 96% client satisfaction with telephone service in 2000
	Revenue Sharing	(1,250)	(1,250)	• 27% decrease in average service cycle time in 1998
	Retained Earnings/Reserves	2,231	1,510	
13	Revenue	8,332	7,225	• $684,000 cost-saving to government through full cost accounting for operating expenses and bulk purchasing of learning resources
	Expenses	(8,357)	(7,238)	• 38% increase to 10,288 stocked items
	Net Income (Loss)	(25)	(13)	• 41% increase in sales
	Retained Earnings/Reserves	85	63	• 25% improvement in inventory turnover to 3.62 turns in 2000
				• 94% response to orders within 5-day standard
				• 95% client satisfaction rating in 2000
21	Revenue	5,792	5,824	• $50,900 long-term debt retired three years ahead of schedule
	Expenses	(5,854)	(5,746)	• $150,000 cost-saving from courier contract administration
	Net Income (Loss)	(62)	78	• $91,000 cost-saving from ad-mail incentive mailings
	Retained Earnings/Reserves	425	562	• 18% volume increase in 1999 operations
				• 26% productivity increase across operations
				• >99% on-time completion of mail processing activities
				• >97% on-time completion of mail finishing projects
33	Revenue	3,060	2,753	• 65% increase in fee-for-service revenue
	Expenses	(2,738)	(2,711)	• 26% reduction in funding under departmental contribution agreement
	Net Income (Loss)	322	42	• 95% customer satisfaction in 2000
	Retained Earnings/Reserves	922	675	• 43 new jobs created in private sector
				• $99 million economic development impact in private sector salaries, sales, R&D, cost-savings, and investment
63	Revenue	4,299	4,448	• $24,800 long-term debt retired four years ahead of schedule
	Expenses	(4,547)	(4,631)	• 6% administration fee levied on client estates eliminated in 1998
	Net Income (Loss)	(248)	(183)	• 80% stakeholder satisfaction rating in 1999
	Retained Earnings/Reserves	1,325	1,381	
45.1	Revenue	5,498	4,960	• $1.9 billion saving in property loss due to fire containment and suppression
	Expenses	(5,561)	(5,120)	• $255,900 in annual cost-savings for office closures, reduced administrative overhead, and prioritized capital investment
	Net Income (Loss)	(63)	(160)	• 378% increase in tuition and contract revenues
	Accumulated Deficit	(301)	(454)	• 25% increase in students trained at Emergency Services College
				• $250,000 in corporate sponsorship of Brandon practical training site in 1998
24	Revenue	2,123	1,816	• 20% increase in fee-for-service revenues in 2000
	Expenses	(1,987)	(1,816)	• 646% increase in process and product development projects
	Net Income (Loss)	136	-	• 74% increase in analytical tests
	Accumulated Deficit	-	(110)	• 192% increase in individuals trained
				• 93% client satisfaction rating in 1999
				• 35 new products developed in 2000
				• 120 new employment opportunities created in private sector
				• $1 million economic development impact from increased gross sales in 2000
157	Revenue	13,076	12,389	• $166,900 long-term debt retired four years ahead of schedule
	Expenses	(9,880)	(10,330)	• 90% hit rate on electronic searches in Winnipeg Land Titles Office
	Net Income (Loss)	3,196	2,059	• 16% overall improvement on standard client service times in 2000
	Revenue Sharing	(2,800)	(2,800)	• 62% improvement on 5-day standard for electronic land titles registrations
	Retained Earnings/Reserves	4,155	2,392	• 70% employee satisfaction rating in 2000
34	Revenue	5,200	4,000	• $727,600 long-term debt retired four years ahead of schedule
	Expenses	(2,514)	(2,752)	• 21% volume increase in securities activity
	Net Income (Loss)	2,686	1,248	
	Revenue Sharing	(700)	(700)	
	Retained Earnings/Reserves	1,986	548	

Management Report

The accompanying financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to July 21, 2000.

Management maintains internal controls to properly safeguard the Financing Authority's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Provincial Auditor is to express an independent opinion on whether the financial statements of the Financing Authority are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

John K. Wilkins
Chairperson,
Special Operating Agencies Financing Authority

July 21, 2000

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority at March 31, 2000 and the combined statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2000 and results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

GRMacBeth

Winnipeg, Manitoba
July 21, 2000

Greg MacBeth, CA
for the Provincial Auditor

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet

(In Thousands)

March 31	2000	1999
Assets		
Current:		
Cash	$ 2,496	$ 5,020
Term deposits with the Minister of Finance (Note 3)	19,034	15,712
Customer deposits	1,122	923
Accounts receivable (Note 4)	11,528	13,314
Inventories	3,973	4,513
Prepaid expenses	1,502	1,815
	39,655	41,297
Capital assets (Note 5)	41,738	38,486
Long-term investment (Note 6)	1,500	1,500
Receivable from the Province of Manitoba (Note 7)	5,372	5,182
Deferred contributions - Province of Manitoba (Note 10)	1,025	1,025
	$ 89,290	$ 87,490
Liabilities		
Current:		
Working capital advances (Note 8)	$ 7,412	$ 9,666
Accounts payable and accruals	10,710	12,352
Unearned revenue	1,722	1,543
Current portion of long-term debt	5,243	3,792
	25,087	27,353
Long-term debt - Province of Manitoba (Note 9)	7,910	9,121
Pension liability (Note 10)	7,266	5,229
Severance liability (Note 11)	3,986	3,781
	44,249	45,484
Equity (Note 12)		
Contributed equity	17,661	17,661
Reserve funds (Note 13)	935	500
Retained earnings	26,445	23,845
	45,041	42,006
	$ 89,290	$ 87,490

Commitments (Note 14)
Contingent liability (Note 15)

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income and Retained Earnings

(In Thousands)

Year Ended March 31	2000	1999
Special Operating Agencies Financing Authority		
Revenue		
Annual levy	$ 11	$ 11
Treasury Board Secretariat contribution	98	93
	109	104
Expenses		
Salaries and benefits	80	77
Other operating	29	25
	109	102
Financing Authority operations	-	2
Special Operating Agency operations - net income (loss)		
Civil Legal Services	44	258
Companies Office	1,814	1,814
Fleet Vehicles Agency	2,175	2,248
Food Development Centre	136	(127)
Industrial Technology Centre	322	189
Land Management Services	193	164
Mail Management Agency	(62)	119
MERLIN	120	(111)
Manitoba Securities Commission	2,686	-
Manitoba Text Book Bureau	(25)	64
Materials Distribution Agency	685	1,494
Office of the Fire Commissioner	(63)	(45)
Organization and Staff Development	(60)	80
Pineland Forest Nursery	119	(27)
The Property Registry	3,196	4,209
The Public Trustee	(248)	16
Vital Statistics Agency	143	263
Net income for the year	11,175	10,610
Retained earnings, beginning of year		
As previously reported	23,950	21,235
Correction of prior period error (Note 16)	(105)	-
As restated	23,845	21,235
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(500)	(400)
Companies Office	(1,250)	(1,250)
Fleet Vehicles Agency	(2,000)	(2,000)
Land Management Services	(500)	(500)
Manitoba Securities Commission	(700)	-
Materials Distribution Agency	(200)	(200)
The Property Registry	(2,800)	(3,550)
Vital Statistics Agency	(190)	(100)
Reserve fund - Manitoba Securities Commission (Note 13)	(435)	-
Retained earnings, end of year	$ 26,445	$ 23,845

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows

(In Thousands)

Year Ended March 31	2000	1999
Cash derived from (applied to):		
Operating		
Net income	$ 11,175	$ 10,610
Amortization	8,289	7,513
Gain on disposal of capital assets	(453)	(534)
	19,011	17,589
Change in:		
Customer deposit accounts	(199)	17
Accounts receivable	1,786	(1,185)
Inventories	540	(764)
Prepaid expenses	313	(374)
Deferred contributions - Province of Manitoba	-	(1,025)
Accounts payable and accruals	(1,642)	2,939
Pension liability	2,037	2,401
Severance liability	205	270
Unearned revenue	179	266
Cash derived from operating activities	22,230	20,134
Investing		
Proceeds from disposal of capital assets	1,130	1,091
Acquisition of capital assets	(12,217)	(9,869)
Long-term investment	-	600
Cash applied to investing activities	(11,087)	(8,178)
Financing		
Contributed equity	-	44
Proceeds from long-term debt - Province of Manitoba	4,128	3,244
Long-term debt repayments	(3,889)	(3,516)
Transfer of surplus funds to the Province of Manitoba	(8,140)	(8,000)
Receivable from the Province of Manitoba	(190)	(109)
Cash derived from financing activities	(8,091)	(8,337)
Increase in cash	3,052	3,619
Cash: Beginning of year	11,066	7,447
End of year	$ 14,118	$ 11,066
Represented by:		
Cash	$ 2,496	$ 5,020
Term deposits with the Minister of Finance	19,034	15,712
Working capital advances	(7,412)	(9,666)
	$ 14,118	$ 11,066

See accompanying notes to the financial statements.

1. Nature of organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act***. Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson/SOA Coordinator as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

SOAs in operation during the fiscal year ended March 31, 2000 were as follows:

Civil Legal Services, Department of Justice
Companies Office, Department of Consumer and Corporate Affairs
Fleet Vehicles Agency, Department of Highways and Government Services
Food Development Centre, Department of Agriculture and Food
Industrial Technology Centre, Department of Industry, Trade and Mines
Land Management Services, Department of Highways and Government Services
Mail Management Agency, Department of Highways and Government Services
Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Education and Training
Manitoba Securities Commission, Department of Consumer and Corporate Affairs
Manitoba Text Book Bureau, Department of Education and Training
Materials Distribution Agency, Department of Highways and Government Services
Office of the Fire Commissioner, Department of Labour
Organization and Staff Development, Civil Service Commission
Pineland Forest Nursery, Department of Conservation
The Property Registry, Department of Consumer and Corporate Affairs
The Public Trustee, Department of Justice
Vital Statistics Agency, Department of Consumer and Corporate Affairs.

2. Significant accounting policies

The financial statements of the Financing Authority are presented in accordance with generally accepted accounting principles.

Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	20 - 33%, straight line 20%, declining balance
Computer equipment and software	20%, straight line
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	5 - 40 years, straight line
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	3 - 10 years, straight line
Other assets	3 years, straight line

Inventories

Inventories are valued at the lower of cost and market value.

3. Term deposits with the Minister of Finance

Term investments are segregated as follows:

	2000	1999
Operating funds	$13,262	$11,629
Pension liability funds	5,772	4,083
	$19,034	$15,712

4. Accounts receivable

	2000	1999
Trade	$10,469	$10,165
Recoverable infrastructure expenditures	602	2,704
Insurance agency rebate	260	247
Other	197	198
	$11,528	$13,314

The trade receivables are mostly due from the Province of Manitoba.

Recoverable infrastructure expenditures relate to outlays made by MERLIN that are recoverable under the Canada/Manitoba Infrastructure Works Program.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the provincial vehicle fleet in the previous insurance year.

5. Capital assets

			2000	1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Vehicles, fire engines	$51,139	$24,427	$26,712	$24,801
Equipment and furniture	6,736	3,406	3,330	3,104
Computer equipment and software	3,501	1,275	2,226	1,514
Buildings	7,653	1,659	5,994	6,205
Practical training site	1,767	194	1,573	1,654
Leasehold improvements	977	420	557	513
Other assets	1,852	506	1,346	695
	$73,625	$31,887	$41,738	$38,486

6. Long-term investment

The long-term investment balance as at March 31, 2000 is comprised of a $1,500 investment with the Minister of Finance maturing September 4, 2001. This investment has an interest rate of 6.43%.

7. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of certain agencies prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998, as well as the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1999. The balance is comprised of:

	2000	1999
Vacation entitlements	$1,726	$1,671
Severance pay benefits	3,646	3,511
	$5,372	$5,182

8. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, and 168/1998, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $18,570 (1999 - $18,570) at any one time. As at March 31, 2000, $11,158 (1999 - $8,904) of these advances was unused and available.

9. Long-term debt - Province of Manitoba

		2000	1999
8.775%	repayable in annual instalments of $3 principal and interest, maturing in 2000	$ -	$ 12
7%	repayable in semi-annual instalments of $601 principal and interest, maturing in 2001	1,142	2,208
7.125%	repayable in semi-annual instalments of $181 principal and interest, maturing in 2001	343	663
5.5%	repayable in semi-annual instalments of $289 principal and interest, maturing in 2002	1,335	1,820
6%	repayable in semi-annual instalments of $469 principal and interest, maturing in 2002	1,743	2,540
5.875%	repayable in semi-annual instalments of $316 principal and interest, maturing in 2003	1,713	2,221
5.625%	repayable in annual instalments of $171 principal and interest, maturing in 2004	598	-
5.5%	repayable in semi-annual instalments of $232 principal and interest, maturing in 2004	1,642	2,000
6%	repayable in semi-annual instalments of $141 principal and interest, maturing in 2004	988	1,200
9%	repayable in annual instalments of $55 principal and interest, maturing in 2005	249	249
6.875%	repayable in semi-annual instalments of $408 principal and interest, maturing in 2005	3,400	-
		13,153	12,913
Amount due within one year		5,243	3,792
		$ 7,910	$ 9,121

9. Long-term debt - Province of Manitoba (continued)

Principal repayments in each of the next five years are as follows:

2001	$5,243
2002	3,318
2003	2,281
2004	1,485
2005	826

The Financing Authority may elect to repay long-term debt, or portions thereof, prior to maturity.

As at March 31, 2000, the Financing Authority had $1,400 remaining in loan authority under ***The Loan Act, 1999***. ***The Loan Act, 2000*** is pending Royal Assent. The original loan authority under each of these Acts was:

	The Loan Act, 2000	***The Loan Act, 1999***
for Fleet Vehicles Agency	$7,700	$4,800

10. Employee pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of ***The Civil Service Superannuation Act***. Only the Industrial Technology Centre and the Food Development Centre match their employees' contributions to the Civil Service Superannuation Fund and have no further liability under the Act. By agreement with the Province of Manitoba, other SOAs are only responsible for the pension liability incurred for their employees from the date of designation as a SOA. These agencies recorded this obligation effective for the year ended March 31, 1998. The methodology for calculating the liability was determined in conjunction with the Province, which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

These SOAs continue not to remit the employer's share of pension directly to the Superannuation Fund. Instead, each agency has a separate investment account into which is deposited an amount equal to the pension liability recorded at March 31, 1998, plus ongoing quarterly payments matching employees' contributions to the Superannuation Fund. The Civil Service Commission makes current payments to the Superannuation Fund for retired employees and recovers applicable costs from each SOA's investment account. Interest is earned at rates based on actuarial projections provided by the Province and is reported in each SOA's income statement. At March 31 each year, the balance in the SOA's investment account is adjusted to agree with the accumulated pension liability determined by the Province.

An actuarial valuation of the Civil Service Superannuation Fund was completed for December 31, 1998. It accounted for the actuarial earnings of the Fund to that date and provided a revised formula for updating the liability. The Province recalculated the liability at March 31, 1999 using updated data in the actuarial report. The resulting increase of $134 related to this tri-annual adjustment to the Fund has been treated as an experience loss and expensed by SOAs.

10. Employee pension benefits (continued)

The Province has restated the pension liability at March 31, 1999 on an indexed basis to be consistent with its revised policy. An error in the original methodology also caused the previous calculation to be understated. The Province assumed responsibility for these two liability changes. The resulting increase of $1,025 in pension obligation as at March 31, 1999 has been offset by SOAs recording a receivable entitled "Deferred contributions - Province of Manitoba".

The accumulated pension liability at March 31, 2000 is $7,266 (1999 - $5,229).

11. Severance pay benefits

Effective April 1, 1998, SOAs are recording accumulated severance pay benefits for their employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by SOA employees to March 31, 1998, as well as for the benefits accumulated by employees of the Manitoba Securities Commission to March 31, 1999. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $3,511 and as at April 1, 1999 of $135 are completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $3,646.

12. Equity

	2000	1999
Contributed equity		
Fleet Vehicles Agency	$ 4,118	$ 4,118
Industrial Technology Centre	62	62
Mail Management Agency	51	51
Manitoba Text Book Bureau	549	549
Materials Distribution Agency	1,246	1,246
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,661	$17,661

12. Equity (continued)

	2000	1999
Retained earnings (restated)		
Civil Legal Services	$ 501	$ 957
Companies Office	2,231	1,667
Fleet Vehicles Agency	9,903	9,728
Food Development Centre	-	(136)
Industrial Technology Centre	922	600
Land Management Services	530	837
Mail Management Agency	425	487
MERLIN	(334)	(454)
Manitoba Securities Commission	1,551	-
Manitoba Text Book Bureau	85	110
Materials Distribution Agency	3,415	2,930
Office of the Fire Commissioner	(301)	(239)
Organization and Staff Development	182	242
Pineland Forest Nursery	734	616
The Property Registry	4,155	3,758
The Public Trustee	825	1,074
Vital Statistics Agency	1,618	1,665
Financing Authority	3	3
	$26,445	$23,845

13. Reserve funds

The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2000 is $500 (1999 - $500).

Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The intent is to fund the reserve over four years to an accumulated balance of $1,000. The balance of the reserve at March 31, 2000 is $435.

14. Commitments

Commitments for SOAs with lease agreements at March 31, 2000 total $5,088 (1999 - $5,651).

Other commitments entered into by SOAs are as follows:

Manitoba Text Book Bureau	Provision of warehousing and distribution services	$ 167
Office of the Fire Commissioner	Vehicle lease agreements	514
The Property Registry	Equipment lease agreements	557
		$1,238

15. Contingent liability

The Province of Manitoba is implementing the Better Systems Initiative (BSI) to facilitate single-window access by business and the general public to government registry services and data bases. The Companies Office and The Property Registry will begin to be phased onto BSI during the 2000/01 fiscal year. The agencies will be expected to pay their proportionate share of BSI costs. Estimates of their liability and cost are not known because the accounting treatment and an appropriate method of apportioning costs have not been determined by the Province. It is not expected that there will be any costs assigned for the year ended March 31, 2000. It is anticipated that this matter will be resolved during the year ending March 31, 2001.

16. Correction of prior period error

The Mail Management Agency determined that a reduction of prepaid expenses in the amount of $105 was omitted from the March 31, 1999 financial statements. As a result of the correction of this error, prepaid expenses and net income have been reduced by $105 for the year ended March 31, 1999.

17. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2000 total approximately $151,000 (1999 - $151,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

18. Public sector compensation

Pursuant to the disclosure required by ***The Public Sector Compensation Disclosure Act***, the Chairperson/SOA Coordinator was the only employee of the Financing Authority who received compensation of $50 or more during the fiscal year ended March 31, 2000.

Name	Position	2000	1999
Wilkins, John	SOA Coordinator	$75	$72

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

19. Financing instruments

The carrying amounts of the current assets and liabilities are reasonable estimates of their fair value because of the short-term maturity of these instruments.

20. Comparative figures

Certain of the prior year's figures have been restated to conform with the financial statement presentation adopted for the current year.

APPENDIX

Agency Financial Statements

- Fleet Vehicles Agency
- Materials Distribution Agency
- Organization and Staff Development
- Vital Statistics Agency
- Civil Legal Services
- Manitoba Education, Research and Learning Information Networks
- Land Management Services
- Pineland Forest Nursery
- Companies Office
- Manitoba Text Book Bureau
- Mail Management Agency
- Industrial Technology Centre
- The Public Trustee
- Office of the Fire Commissioner
- Food Development Centre
- The Property Registry
- Manitoba Securities Commission

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Fleet Vehicles Agency
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Financial Statements
(In Thousands)
March 31, 2000

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Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Fleet Vehicles Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000, and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
May 19, 2000

Chartered Accountants

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Fleet Vehicles Agency
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statements of Earnings and Retained Earnings

(In Thousands)

Year Ended March 31		2000		1999
Revenue				
Vehicle leases	$	18,987	$	17,307
Gain on disposal of vehicles and equipment, net		522		652
Interest income		58		39
Other revenue (Page 12)		1,444		1,457
		21,011		19,455
Expenses				
Salaries		1,900		1,842
Vehicle operating expenses (Page 12)		14,809		13,396
Administrative expenses (Page 12)		1,238		1,108
Community service		95		113
Interest expense		727		748
		18,769		17,207
Net earnings	$	2,242	$	2,248
Retained earnings, beginning of year	$	9,728	$	9,480
Net earnings		2,242		2,248
Revenue sharing to the Consolidated Fund		(2,000)		(2,000)
Retained earnings, end of year	$	9,970	$	9,728

See accompanying notes to the financial statements.

Fleet Vehicles Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet

(In Thousands)

March 31	2000	1999
Assets		
Current		
Receivables (Note 3)	$ 2,413	$ 3,172
Inventories	52	44
Prepaids	1,142	1,078
	3,607	4,294
Capital assets (Note 4)	26,955	25,082
Cash held for funding of pension liability (Note 5)	826	680
Receivable from the Province of Manitoba (Note 6)	219	219
	$ 31,607	$ 30,275
Liabilities		
Current		
Working capital payable, net of cash (Note 7)	$ 2,160	$ 1,855
Payables and accruals	1,081	697
Revenue sharing to the Consolidated Fund for the current year	500	
Unearned revenue	384	303
Current portion of long term debt	4,576	3,747
	8,701	6,602
Long term debt (Note 8)	7,730	8,905
Pension liability (Note 5)	826	680
Severance pay liability (Note 6)	262	242
	17,519	16,429
Equity		
Contributed equity (Note 9)	4,118	4,118
Retained earnings	9,970	9,728
	14,088	13,846
	$ 31,607	$ 30,275

Commitments (Note 10)
Uncertainty (Note 11)

See accompanying notes to the financial statements.

Fleet Vehicles Agency
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows

(In Thousands)

Year Ended March 31	2000	1999
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 2,242	$ 2,248
Amortization	5,820	5,372
Gain on disposal of vehicles and equipment, net	(522)	(652)
Increase in pension liability	146	135
Increase in severance pay liability	20	23
	7,706	7,126
Change in		
Receivables	759	(440)
Inventories	(8)	12
Prepaids	(64)	(102)
Payables and accruals	384	(317)
Revenue sharing to the Consolidated Fund for the current year	500	
Unearned revenue	81	82
	9,358	6,361
Investing		
Proceeds from disposal of vehicles and equipment	1,103	1,076
Acquisition of vehicles	(8,051)	(6,849)
Acquisition of office, shop and computer equipment	(145)	(7)
Acquisition of leasehold improvements	(77)	(114)
Cash held for funding of pension liability	(146)	(680)
	(7,316)	(6,574)
Financing		
Proceeds from Loan Act Authority drawdowns	3,400	3,200
Long term debt repayments	(3,747)	(2,984)
Revenue sharing to the Consolidated Fund	(2,000)	(2,000)
	(2,347)	(1,784)
Net decrease in cash	(305)	(1,997)
Cash and working capital payable, net		
Beginning of year	(1,855)	142
End of year	$ (2,160)	$ (1,855)

See accompanying notes to the financial statements.

1. Nature of organization

In 1934, Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and the Minister of Highways and Government Services.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

2. Significant accounting policies

Basis of reporting

The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

Inventories

Inventories are valued at the lower of cost and market value.

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Vehicles	30%,	declining balance
Vehicles (signed lease agreement)		straight line over term of lease
Office and shop equipment	20%,	declining balance
Computer software and equipment	20%,	straight line
Leasehold improvements	10%,	straight line

3. Receivables

	2000	1999
Trade	$ 1,512	$ 2,358
Accrued trade	641	567
Insurance agency rebate receivable	260	247
	$ 2,413	$ 3,172

4. Capital assets

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Vehicles	$ 50,479	$ 24,053	**$ 26,426**	$ 24,654
Office, shop and computer equipment	824	572	**252**	186
Leasehold improvements	416	139	**277**	242
	$ 51,719	$ 24,764	**$ 26,955**	$ 25,082

5. Pension liability

The employees of Fleet Vehicles Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. Pursuant to an agreement with the Province of Manitoba, Special Operating Agencies (SOAs) are responsible for the pension liability incurred for their employees only from each Agency's date of designation as a SOA. The methodology for calculating the liability was determined in conjunction with the Province, and the Province has accepted responsibility for the pension liability for prior service, as well as for any variance resulting from the calculation.

Fleet Vehicles Agency, along with all other SOAs, will continue not to turn funds over to the Superannuation Fund. Instead, the Agency has arranged with Treasury Division for a separate investment account in the Agency's name for the deposit of pension-related funds. As of March 31, 2000, $826 has been deposited in this account to approximate the Agency's estimated pension liability to date. In future periods, the Agency is to make a deposit to the account equal to its employees' contributions to the Superannuation Fund during the period. As of March 31 each year, the balance in the separate investment account is to be adjusted to agree with the accumulated pension liability balance, as provided by the Civil Service Commission. Interest earned on the account will be reported in the Agency's Statement of Earnings.

As Fleet Vehicles Agency employees retire, the Civil Service Commission will make current payments to the Superannuation Fund for the retired employees and will recover applicable costs from the Agency, with the Agency reimbursing the Commission from its separate investment account.

6. Severance pay liability

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as of April 1, 1998, of $219 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable and the amount will remain fixed at $219.

7. Working capital payable

The Agency has an authorized line of working capital advances of $2,500, $2,231 of which was used as of March 31, 2000 (1999: $1,886).

In April 2000, the Agency's authorized line of working capital advances was increased to $4,000 for the 2000/01 year.

Fleet Vehicles Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(In Thousands)
March 31, 2000

8. Long term debt

Loan Act Authority is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity Date	2000 Principal Balance Owing	1999 Principal Balance Owing
7 1/8%	$ 181	March 31, 2001	**$ 343**	$ 663
7%	601	March 31, 2001	**1,142**	2,208
6%	469	March 31, 2002	**1,743**	2,540
5 1/2%	289	September 30, 2002	**1,335**	1,820
5 7/8%	316	March 31, 2003	**1,713**	2,221
5 1/2%	232	March 31, 2004	**1,642**	2,000
6%	141	March 31, 2004	**988**	1,200
6 7/8%	408	March 31, 2005	**3,400**	
Total principal owing as of March 31			**12,306**	12,652
Amount due within one year			**4,576**	3,747
Long term debt as of March 31			**$ 7,730**	$ 8,905

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed above on behalf of Fleet Vehicles Agency.

Unused loan authority of $3,800 was available as of March 31, 1999. An additional $1,000 was approved during the year, for a total available of $4,800. Following the drawdown of $3,400 in March 2000 at 6 7/8% interest to pay for vehicle purchases, there is $1,400 in unused loan authority remaining from The Loan Acts of 1998 ($400) and 1999 ($1,000) as of March 31, 2000.

As of March 31, 2000, principal repayments in each of the next five years are as follows:

2001	$ 4,576
2002	3,279
2003	2,238
2004	1,438
2005	775

9. Contributed equity

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

10. Commitments

(a) Pursuant to a Memorandum of Understanding dated May 31, 1996, the Agency entered into a lease agreement with The Government of Manitoba through Manitoba Government Services for the rental of the facilities at 626 Henry Avenue, Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2000/01 are established annually based on the approved budget for Manitoba Government Services. Occupancy charges for 2000/01 are estimated at $398 for the year, to be paid in semi-annual instalments in July 2000 and January 2001.

(b) The Agency's approved 2000/01 Business Plan calls for $2,000 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2000/01.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

Fleet Vehicles Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements
(In Thousands)
March 31, 2000

12. Requirements of The Public Sector Compensation Disclosure Act

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31.

Name	Position	2000	1999
Kathryn Bernhardt	Manager, Support Services	$ 52	$
Donald Chesney	Manager, Fleet	54	50
Dennis Ducharme	Chief Operating Officer	79	67
Jordan Janisse	Systems Supervisor	52	
Albert Ogonoski	Manager, Finance	54	
William Reynolds	Senior Manager, Strategic Planning	56	54
Guy Sinclair	Manager, Operations	55	50

Fleet Vehicles Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Schedule of Other Revenue and Expenses

(In Thousands)

Year Ended March 31	2000	1999
Other revenue		
Service	$ 719	$ 708
Rebates	536	505
Autopac service revenue	189	244
	$ 1,444	$ 1,457
Vehicle operating expenses		
Amortization	$ 5,719	$ 5,244
Fuel	4,484	3,829
Insurance premiums	2,100	2,014
Repairs and maintenance	2,506	2,309
	$ 14,809	$ 13,396
Administrative expenses		
Amortization	$ 101	$ 128
Fleet management information system	150	29
Telephone and communication	31	32
Human resource overhead	407	400
Occupancy costs	392	384
Other costs	56	49
Professional fees	36	32
SOAFA charges	2	2
Supplies and materials	63	52
	$ 1,238	$ 1,108

Fleet Vehicles Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility for Financial Reporting

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Agency's financial statements have been audited by Grant Thornton, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

An Advisory Board is available to meet, as required, with management to review accounting practices, financial reporting and to discuss audit results. During the year, management met once with the Advisory Board. The auditors have free and full access to this Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

Ducharme
Dennis Ducharme
Chief Operating Officer

Albert Ogonosk
Albert Ogonoski
Manager, Finance

May 19, 2000

MATERIALS DISTRIBUTION AGENCY

Financial Statements
For The Year Ended March 31, 2000

(In Thousands)

Materials Distribution Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Group, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

The Advisory Board has scheduled meetings with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, to discuss the results of the audit and their views on the adequacy of internal controls and the quality of financial reporting.

Don Katz
A/Chief Operating Officer

Petra Berner-Krieger
Controller

June 23, 2000

THE EXCHANGE
chartered accountants

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and changes in cash flow for the year then ended in accordance with generally accepted accounting principles.

THE EXCHANGE

chartered accountants

Winnipeg, Manitoba
June 23, 2000

100-123 Bannatyne Ave., Winnipeg, Manitoba R3B 0R3
Telephone: (204) 943-4584 Fax: (204) 957-5195
E-mail: info@exg.ca Website: www.exg.ca

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2000

ASSETS

	2000	1999
CURRENT		
Cash and short-term investments	$1,112	$4,724
Investments – pension related	529	333
Accounts receivable	3,086	1,441
Accounts receivable – Province of Manitoba (note 9)	300	363
Inventories (notes 2 and 3)	1,548	1,759
Prepaid expenses	61	16
	6,636	8,636
CAPITAL ASSETS (notes 2 and 4)	723	949
OTHER ASSETS (notes 2 and 5)	757	75
	$8,116	$9,660

LIABILITIES

	2000	1999
CURRENT		
Payables and accruals (note 6)	$2,690	$4,828
PENSION LIABILITY (note 2)	529	333
SEVERANCE LIABILITY (note 9)	236	323
	3,455	5,484

EQUITY

	2000	1999
CONTRIBUTED EQUITY (note 7)	1,246	1,246
RETAINED EARNINGS	3,415	2,930
	4,661	4,176
	$8,116	$9,660

Commitments (note 8)

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS

(In Thousands)

YEAR ENDED MARCH 31, 2000

	2000	1999
SALES, schedule 1	$18,898	$20,436
COST OF GOODS SOLD	14,706	16,261
GROSS PROFIT	4,192	4,175
EXPENSES		
Salaries	1,983	1,760
Pension benefits expense	195	103
Operating costs, schedule 2	349	331
Administrative expenses, schedule 2	937	429
Interest expense, long-term debt	0	26
	3,464	2,649
INCOME FROM OPERATIONS	728	1,526
LOSS ON DISPOSAL OF ASSETS	(9)	0
NET INCOME	719	1,526
99/00 REVENUE SHARING – PROVINCE OF MANITOBA	(200)	(200)
CONTRIBUTION TO COMMUNITY AND OTHER GOVERNMENT PROGRAMS	(34)	(32)
RETAINED EARNINGS, beginning of year	2,930	1,636
RETAINED EARNINGS, end of year	$ 3,415	$ 2,930

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOW
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
Cash payments		
Purchase of capital assets	$ (429)	$ (623)
Purchase of other assets	(841)	0
Long term debt, payment	0	(430)
Revenue sharing - distribution	(200)	(200)
Contribution to community & other gov't programs	(34)	(32)
Cash receipts		
Cash (deficit) generated from operations, net	(2,110)	4,122
Long term debt, advance	0	44
Contributed equity	0	44
Working capital, beginning of year	4,726	1,801
Working capital, end of year	$ 1,112	$ 4,726

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate was to cost effectively meet the supply needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly-used items.

Effective April 1, 1993, Materials Distribution Branch was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Highways and Government Services assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Materials Distribution Agency continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Materials Distribution Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities, deriving most of its revenue from these two sources. The Province provides all of the capital financing.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and basis:

Computer equipment	- 20%, straight-line basis
Fixtures	- 20%, straight-line basis
Office equipment	- 20%, diminishing balance basis
Rental equipment	- 20%, diminishing balance basis
Warehouse equipment	- 20%, diminishing balance basis
Leasehold improvements	- over 5 years, straight-line basis

Assets that relate to the transfer of the Home Care Equipment and Supplies Program are recorded at cost and are amortized at accelerated rates as follows:

Computer equipment, accelerated	- 33%, straight-line basis
Fixtures, accelerated	- 33%, straight-line basis
Office equipment, accelerated	- 33%, straight-line basis
Warehouse equipment, accelerated	- 33%, straight-line basis
Leasehold improvements, accelerated	- over 3 years, straight-line basis

Non-consumable equipment relating to the Home Care Equipment and Supplies Program are amortized at varying rates in order to reflect the varying periods of useable "life".

Rental equipment	- over 2, 3 or 5 years, straight-line basis

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Other Assets

Other assets are recorded at cost and are amortized at the following rates on a straight-line basis:

Computer conversion	- over 5 years
Computer conversion, accelerated	- over 3 years

Pension Liability

Employees of the Materials Distribution Agency are eligible for pensions in accordance with provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The Materials Distribution Agency is recording this obligation effective for the year ended March 31, 1998. The methodology for calculating the liability has been determined in conjunction with the Province which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

3. INVENTORIES

	2000	1999
Medical, Lab & X-ray supplies	$ 240	$ 356
Reproductive health supplies	69	91
Medical supplies	488	376
Ostomy supplies	190	228
Equipment consumables	12	28
	999	1,079
Stationery	334	369
Forms	92	140
Janitorial	94	129
Furnishings	21	23
Used furniture	5	0
New furniture	3	5
Office equipment consumables	0	11
Software and computer supplies	0	3
	$ 1,548	$ 1,759

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2000 Net	1999 Net
Computer equipment	$ 39	$ 4	$ 35	$ 2
Fixtures	39	31	8	9
Office equipment	27	17	10	14
Rental equipment	0	0	0	1
Warehouse equipment	90	44	46	58
Leasehold improvements	133	71	62	89
	328	167	161	173
Accelerated				
Computer equipment	48	48	0	25
Fixtures	63	50	13	34
Office equipment	22	20	2	10
Warehouse equipment	61	40	21	31
Leasehold improvements	120	98	22	61
	314	256	58	161
Home Care equipment	1,349	845	504	615
	$ 1,991	$ 1,268	$ 723	$ 949

5. OTHER ASSETS

	Cost	Accumulated Amortization	2000 Net	1999 Net
Computer conversion	$ 841	$ 84	$ 757	$ 0
Computer conversion, accelerated	155	155	0	75
	$ 996	$ 239	$ 757	$ 75

6. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital of $800.0 of which $0.0 was used at March 31, 2000.

7. CONTRIBUTED EQUITY

Loan Authority – April 1, 1993

The Special Operating Agencies Financing Authority (SOAFA) and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventory and fixed assets valued at $1,464 required for the continuing operations of the Materials Distribution Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being ½ of the value of the assets) and recorded the balance, $732, as Manitoba's equity in the Financing Authority as related to the Agency operations.

Loan Authority – April 1, 1997

SOAFA and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the HCESP valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $514 (being ½ of the value of the assets) and recorded the balance, $513, as Manitoba's equity in the Financing Authority as related to the Agency operations.

8. COMMITMENTS

Leased Premises

The Agency has entered into a master lease agreement with the Province of Manitoba for rental of facilities at 1680 Church Avenue, Winnipeg, Manitoba, which expires on March 31, 2002. Occupancy charges are $215 payable in semi-annual payments of $107.

The Agency has entered into an ancillary lease agreement directly with the landlord for rental of 8,500-sq. ft. at 1660 Church Avenue, Winnipeg, Manitoba, which expires on March 31, 2002. Occupancy charges are $31 payable in monthly payments of $3.

The Agency has also obtained 5,790-sq. ft. at 1678 Church Avenue, Winnipeg, Manitoba, wherein the Landlord has entered into an ancillary lease agreement directly with the Agency, which expires on March 31, 2002. Occupancy charges are $17 payable in monthly payments of $2.

8. COMMITMENTS, continued

Desktop Management Initiative (DMI)

Costs related to leased computer assets, network (PDN) and user fees (SAP, MEBS & WAN) within the Province's managed environment are projected over the next five years:

Fiscal Year	# Units	$
2000/01	41	254
2001/02	42	279
2002/03	43	293
2003/04	44	307
2004/05	45	323

9. SEVERANCE LIABILITY

Effective April 1, 1998 the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $254 has been completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed.

10. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2000, the following employees received compensation in excess of $50.

Name	Position	2000	1999
Tracey Danowski	Chief Operating Officer	$ (*)	$ 65
Don Katz	A/Chief Operating Officer	$ 61	$ N/A
Petra Berner-Krieger	Controller	$ 59	$ 51

(*) In excess of $50 but the pro rata earned while at the Agency was less than the threshold.

11. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized system use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

12. COMPARATIVE FIGURES

Comparative figures from the previous year have been reclassified to conform with the current year's financial presentation.

Schedule 1

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF SALES
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
Warehoused Items		
Medical, Lab & X-ray	$ 1,941	$ 1,712
Medical forms	81	123
Reproductive	328	322
Medical supplies	3,088	2,755
Ostomy supplies	1,344	1,238
Equipment consumables	97	79
	6,879	6,229
Stationery	1,981	2,241
Forms	204	249
Janitorial	657	622
Furnishings	120	141
Office equipment consumables	140	383
Software and computer supplies	2,160	1,870
Miscellaneous	47	44
	12,188	11,779
Direct (factored sales)		
Stationery	641	693
Medical, Lab & X-ray	218	213
Janitorial	218	229
Furniture, new	1,328	2,781
Furnishings	0	54
	2,405	3,970
Other Revenue		
Oxygen contract	275	1,084
Home Care equipment rentals	1,618	987
Office equipment – copy centres	800	791
Office equipment – maintenance program	249	608
Used furniture	19	42
Disposal	37	32
Moving and freight	943	902
Storage	73	45
Interest	70	94
Miscellaneous	221	102
	4,305	4,687
TOTAL REVENUE	$18,898	$20,436

Schedule 2

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF EXPENSES

(In Thousands)

YEAR ENDED MARCH 31, 2000

	2000	1999
OPERATING COSTS		
Freight and travel	$ 5	$ 5
Occupancy	311	302
Maintenance and supplies	33	24
	$ 349	$ 331
ADMINISTRATIVE		
SOAFA fees	$ 2	$ 2
Audit and legal fees	7	10
Amortization	307	198
Bad debts	102	32
Computer	380	57
Office	46	61
Promotion and marketing	40	44
Telephone	16	23
Training and education	37	2
	$ 937	$ 429

ORGANIZATION & STAFF DEVELOPMENT - An Agency of the Special Operating Agencies Financing Authority

Financial Statements
For the year ended March 31, 2000

ORGANIZATION & STAFF DEVELOPMENT - An Agency of the Special Operating Agencies Financing Authority

Financial Statements

For the year ended March 31, 2000

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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Organization & Staff Development (OSD) and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available to May 17, 2000.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The responsibility of the Provincial Auditor is to express an independant opinion on whether the financial statements of OSD are fairly represented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opnion.

On behalf of management,

Herb Robertson, Director

Organization & Staff Development

May 17, 2000

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of Organization and Staff Development, an Agency of The Special Operating Agencies Financing Authority, as at March 31, 2000 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and results of its operations and changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

James Martin

Winnipeg, Manitoba
May 17, 2000

James M. Martin, CA
for the Provincial Auditor

ORGANIZATION & STAFF DEVELOPMENT - An Agency of the Special Operating Agencies Financing Authority

Balance Sheet

March 31	2000	1999
	(000's)	
Assets		
Current Assets		
Cash and bank (Note 3)	$ 84	$ 396
Short-term investments	188	-
Accounts receivable	90	123
Inventories	6	7
Prepaids	-	106
	368	632
Pension investments (Note 4)	97	-
Severance receivable (Note 5)	33	33
Capital assets (Note 6)	12	4
	$ 510	$ 669
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 182	$ 185
Deferred revenue	-	125
	182	310
Pension liability (Note 4)	107	81
Severance liability (Note 5)	36	36
	325	427
Shareholders' Equity		
Retained earnings	185	242
	$ 510	$ 669

The accompanying notes are an integral part of these financial statements.

ORGANIZATION & STAFF DEVELOPMENT - An Agency of the Special Operating Agencies Financing Authority

Statement of Operations and Retained Earnings

For the year ended March 31	2000	1999			
				(000's)	
	Actual	Actual	Variance	Budget	Variance
Revenue					
Training and consulting	$ 1,069	$ 1,240	$ (171)	$ 1,083	$ (14)
Interest	6	-	6	9	(3)
	1,075	1,240	(165)	1,092	(17)
Expenses					
Professional fees	444	536	(92)	439	5
Salaries & benefits	371	274	97	311	60
Departmental support services	59	67	(8)	60	(1)
Accommodations	51	16	35	12	39
Books and course materials	35	59	(24)	30	5
Desk top management	25	12	13	14	11
Food and beverages	25	33	(8)	40	(15)
Rentals	25	54	(29)	36	(11)
Transportation	26	30	(4)	21	5
Occupancy costs	17	18	(1)	18	(1)
Communications	17	14	3	15	2
Office supplies	12	5	7	11	1
Marketing	12	11	1	13	(1)
Other	8	18	(10)	18	(10)
Professional development	4	-	4	-	4
Amortization	1	2	(1)	4	(3)
Loss on disposal of assets	-	11	(11)	-	-
	1,132	1,160	(28)	1,042	90
Net income (loss) for the year	(57)	80	(137)	50	(107)
Retained earnings, beginning of year	242	162			
Retained earnings, end of year	$ 185	$ 242			

The accompanying notes are an integral part of these financial statements.

ORGANIZATION & STAFF DEVELOPMENT - An Agency of the Special Operating Agencies Financing Authority
Statement of Cash Flows

For the year ended March 31		2000		1999
		(000's)		
Cash Flows from Operating Activities				
Net income (loss) for the year	$	(57)	$	80
Changes in:				
Amortization of capital assets		1		2
Loss on disposal of capital assets		-		11
Pension and severance		25		17
		(31)		110
Net change in non-cash working capital balances		15		78
		(16)		188
Cash Flows from Investing Activities				
Purchase of capital assets		(11)		(1)
Transfer to pension fund		(97)		-
		(108)		(1)
Increase (decrease) in cash and cash equivalents during the year		(124)		187
Cash and cash equivalents, beginning of year		396		209
Cash and cash equivalents, end of year	$	272	$	396

Represented by				
Cash and bank	$	84	$	396
Short term investments		188		-
	$	272	$	396

The accompanying notes are an integral part of these financial statements.

ORGANIZATION & STAFF DEVELOPMENT - An Agency of the Special Operating Agencies Financing Authority
Notes to Financial Statements

March 31, 2000

1. Nature of Organization

Effective April 1, 1994, Organization and Staff Development (OSD) of the Civil Service Commission was designated by regulation as a Special Operating Agency under The Special Operating Agencies Financing Authority Act and operates under a charter approved by the Lieutenant Governor in Council. Its mandate is to provide consulting and training services to support the implementation of the government's human resource policies and priorities.

The Agency is financed through the Special Operating Agencies Financing Authority. The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister responsible for the Civil Service Commission assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

OSD continues to be part of the Civil Service Commission under the general direction of the Commissioner and ultimately the policy direction of the Minister responsible for The Civil Service Act.

OSD remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

OSD is economically dependant on the Province of Manitoba. Currently, the Agency derives most of its revenue from the Province and all of its capital financing requirements through the Financing Authority.

2. Significant Accounting Policies

Basis of Reporting The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

Financial Instruments The Agency's financial instruments consist of cash, accounts receivable, temporary and long-term investments and accounts payable. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Inventories Inventories are valued at the lower of cost and net realizable value.

Capital Assets Rates of amortization applied to write off the cost of capital assets over their estimated life are as follows:

Furniture and office equipment	20% straight line
Computer equipment	20% straight line

One half year's amortization is applied to computer equipment in the year of acquisition.

ORGANIZATION & STAFF DEVELOPMENT - An Agency of the Special Operating Agencies Financing Authority
Notes to Financial Statements

March 31, 2000

3. Working Capital

The Agency has an authorized line of working capital advances of $120 which was unused and available at March 31, 2000.

4. Pension Liability

Employees of the Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The Agency has recorded this obligation effective for the year ended March 31, 1998. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service. The accumulated pension liability from April 1, 1994 to March 31, 2000 is $107 (1999 - $81). The Agency has set aside $97 to meet this obligation. The funds are on deposit with the Province of Manitoba and invested in short-term notes.

5. Severance Liability

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. The severance liability is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 1, 1998. Accordingly, the severance pay liability balance as at April 1, 1998 of $33 is completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $33. The liability is updated annually.

6. Capital Assets

	2000			1999		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture & fixtures	$ 10	$ 5	$ 5	$ 4	$ 2	$ 2
Computers	8	1	7	4	2	2
	$ 18	$ 6	$ 12	$ 8	$ 4	$ 4

7. Public Sector Compensation

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended March 31, 2000, the following employees received compensation of $50,000 or more.

Name	**2000**	1999
J. Desrochers	**53**	-
E. Dickson	**53**	52
H. Robertson	**69**	76

8. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Agency enters into transactions with these entities in the normal course of business.

9. Comparative Figures

Comparative figures for the year ended March 31, 1999 have been restated to conform with the presentation adopted for the current year.

VITAL STATISTICS AGENCY
FINANCIAL STATEMENTS
MARCH 31, 2000

MAGNUS & BUFFIE

VS

Vital Statistics Agency

MANAGEMENT REPORT

To the Special Operating Agencies Financing Authority

The accompanying financial statements are the responsibility of the management of the Vital Statistics Agency and have been prepared in accordance with generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 30, 2000.

Management maintains internal controls to properly safeguard the Vital Statistics Agency's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and established policies and procedures are followed.

The Auditor's responsibility is to express an independent opinion on whether the financial statements of the Vital Statistics Agency are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

Caroline E. Kaus
Chief Operating Officer

Rudy Gerling
Manager of Finance,
Administration and Marketing

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

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March 31, 2000

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MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS
906 - 386 Broadway, Winnipeg, Manitoba, Canada R3C 3R6
Telephone (204) 942-4441
Fax (204) 944-0400

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Vital Statistics Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000, and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

The 2000 budget figures are unaudited.

Magnus & Buffie

Chartered Accountants

May 30, 2000

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
March 31, 2000

	2000	1999
ASSETS		
CURRENT		
Cash and short term deposits	$ 813	$ 725
Accounts receivable (Note 4)	41	50
Inventories (Note 2)	28	14
Prepaid expenses	8	6
	890	795
TERM DEPOSIT (Note 5)	366	289
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 6)	191	126
CAPITAL ASSETS (Notes 2 and 7)	1,076	1,202
	$ 2,523	$ 2,412
LIABILITIES		
CURRENT		
Accounts payable	$ 136	$ 149
Accrued unused vacation entitlements	96	95
Unearned revenue (Note 2)	66	78
	298	322
SEVERANCE PAY LIABILITY (Note 8)	151	136
ACCRUED PENSION LIABILITY (Note 9)	456	289
	905	747
EQUITY		
RETAINED EARNINGS	1,618	1,665
	$ 2,523	$ 2,412

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS

(in thousands) Year ended March 31, 2000	BUDGET 2000	ACTUAL 2000	ACTUAL 1999
REVENUE			
Net sales	$ 2,026	$ 2,244	$ 2,163
Proceeds from government departments	124	113	129
Interest	20	31	45
	2,170	2,388	2,337
EXPENSES			
Salaries and employee benefits	1,115	1,217	1,181
Operating expenses (Schedule 1)	765	759	659
Amortization - capital assets	250	269	234
	2,130	2,245	2,074
NET EARNINGS FOR YEAR	$ 40	$ 143	$ 263

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF RETAINED EARNINGS
(in thousands)

Year ended March 31, 2000	**2000**	**1999**
RETAINED EARNINGS, beginning of year	$ 1,665	$ 1,502
Net earnings for year	143	263
	1,808	1,765
Revenue sharing payment to Province of Manitoba	190	100
RETAINED EARNINGS, end of year	$ 1,618	$ 1,665

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
Year ended March 31, 2000

	2000	1999
CASH FROM (USED IN)		
OPERATING ACTIVITIES		
Net earnings for year	$ 143	$ 263
Adjustments for		
Amortization - capital assets	269	234
Severance pay expense	15	10
Accrued pension expense	102	69
	529	576
Change in non-cash working capital balances		
Accounts receivable	9	4
Inventories	(14)	13
Prepaid expenses	(2)	(2)
Accounts payable	(13)	(47)
Accrued unused vacation entitlements	1	10
Unearned revenue	(12)	29
	(31)	7
	498	583
INVESTING ACTIVITY		
Acquisition of capital assets	(143)	(609)
FINANCING ACTIVITY		
Revenue sharing payment to Province of Manitoba	(190)	(100)
Change in term deposit	(77)	(69)
	(267)	(169)
CHANGE IN CASH AND SHORT TERM DEPOSITS	88	(195)
CASH AND SHORT TERM DEPOSITS, beginning of year	725	920
CASH AND SHORT TERM DEPOSITS, end of year	$ 813	$ 725

1. NATURE OF ORGANIZATION

Effective April 1, 1994, the Lieutenant Governor in Council designated the Vital Statistics Agency as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council 232/1994. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency, to enter into a management agreement with respect to the Agency.

A Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Vital Statistics Agency in delivering regulated services to clients through administration of three major Acts; The Vital Statistics Act; The Change of Name Act; and The Marriage Act. The Agency also handles disinterments under The Public Health Act. The ownership of the vital events records is excluded from this agreement, as their ownership is considered Crown property and should not be alienated from Government protection in the public interest.

The Vital Statistics Agency continues to be part of Manitoba Consumer and Corporate Affairs under the general direction of the Deputy Minister, Consumer and Corporate Affairs who is also Chairperson of the Vital Statistics Agency's advisory committee. The Agency's general direction is provided by the Deputy Minister and the Minister.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for it in its charter in order to meet business objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements have been prepared in accordance with generally accepted accounting principles.

Inventories

Inventories of certificates and pre-printed forms are valued at cost. Cost is determined on a first-in, first-out basis.

Capital assets

Capital assets are amortized over their estimated lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Security equipment	20% straight-line
Leasehold improvements	20% straight-line
Information system	20% declining balance
Data conversion	20% declining balance

The half-year rule is used in the years of acquisition and disposition.

Unearned revenue

The Agency receives cash payments at the time various certificates are ordered and the cash payments are reflected as unearned revenue. Revenue is recognized at the time the service is completed and the certificate is issued.

3. WAIVER OF FEES

The Vital Statistics Agency charges no fee for services in exchange for services from the following organizations:

a) The Manitoba Developmental Centre, health care facilities, the Chief Medical Examiner's Office (Manitoba Justice), the Manitoba Funeral Association and the Department of Anatomy of the University of Manitoba as they provide services in accordance with The Vital Statistics Act.

b) Child and Family Services Regional Operations of Manitoba Family Services to act as issuers of Marriage Licences and handling related administrative duties.

3. WAIVER OF FEES - continued

c) Vital Statistics Offices in other jurisdictions through agreements to exchange information between jurisdictions as it relates to one another's residency or birthplace.

Services provided under the above agreements are valued at $3 for the year ended March 31, 2000 (1999 - $3).

The Vital Statistics Agency provides the following services without compensation to the Federal Government:

a) Statistics Canada for national tabulation and statistical information. Statistics Canada provides payment for the microdata and microfilm records from the Vital Statistics Agency and provides half of the cost of printing registration forms.

b) Health and Welfare Canada (Indian and Northern Affairs) (2000 value of $nil; 1999 value of $6).

In March of 1998, the Ministers of Justice, Consumer and Corporate Affairs, and Highways and Transportation agreed that the fees for replacement documents should be waived. Representatives of Vital Statistics and the Division of Driver and Vehicle Licensing met to coordinate the process so the public would receive the same program from both agencies.

Effective January 1, 1999, members of the public who have had their birth certificates stolen during a criminal act can request replacement certificates and have the fee waived. This does not apply to members of the public who have lost their identification or individuals who are non-residents of Manitoba.

Clients are asked to indicate that they are requesting a waiver of fees as a result of a criminal act and to provide the police incident number.

Services provided under the above arrangements are valued at $18 for the year ended March 31, 2000 (1999 - $3).

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

4. ACCOUNTS RECEIVABLE

	2000	1999
Trade	$ 50	$ 56
Interest	3	2
	53	58
Allowance for doubtful accounts	12	8
	$ 41	$ 50

5. TERM DEPOSIT

The Agency has invested funds in a term deposit with the intention that these funds will be used to meet their pension obligation.

6. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for severance pay benefits prior to April 1, 1998 and pension benefits which the Province has accepted responsibility for.

	2000	1999
Severance Pay Benefits	$ 126	$ 126
Pension Benefits	65	
	$ 191	$ 126

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2000	Net Book Value 1999
Office equipment	$ 56	$ 41	$ 15	$ 26
Furniture and fixtures	53	16	37	10
Security equipment	37	15	22	30
Leasehold improvements	38	30	8	15
Information system	730	272	458	509
Data conversion	791	255	536	612
	$ 1,705	$ 629	$ 1,076	$ 1,202

VITAL STATISITICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

8. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $126 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $126.

9. ACCRUED PENSION LIABILITY

Employees of the Vital Statistics Agency are eligible for pension benefits in accordance with provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for pension liability incurred for their employees from the date of designation as an SOA. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service as well as for any variance resulting from the calculation.

10. LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 254 Portage Avenue. Occupancy charges for the year ending March 31, 2000 are $154 (1999 - $162).

11. FINANCING ARRANGEMENTS

Working capital advances and long-term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $250 limit for working capital advances for the Agency. The Agency has not accessed working capital advances in the current fiscal year.

VITAL STATISITICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

12. YEAR 2000 COMPLIANCE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the classifications used in the current year.

Schedule 1

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF OPERATING EXPENSES

(in thousands) Year ended March 31, 2000	BUDGET 2000	ACTUAL 2000	ACTUAL 1999
Accommodation	$ 162	$ 157	$ 162
Advertising	45	12	3
Bad debt expense	5	6	7
Central government charges	20	14	17
Computer information system	264	327	208
Office supplies	17	18	17
Other operating expenses	25	25	29
Printed material supplies	68	58	66
Professional fees	50	36	37
Supplies for mechanized system	7	4	8
Telecommunications	35	23	31
Training	15	3	3
Transportation and freight	52	76	71
	$ 765	$ 759	$ 659

Schedule 2

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
Year ended March 31, 2000

EMPLOYEE	TITLE	COMPENSATION 2000	COMPENSATION 1999
Caroline Kaus	Chief Operating Officer	$61	$56
Rudy Gerling	Manager of Finance, Administration and Marketing	$51	

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50,000 per annum.

CIVIL LEGAL SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2000

CIVIL LEGAL SERVICES

MARCH 31, 2000

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Civil Legal Services
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting

The Agency's management is responsible for the financial statements and other financial information in the annual report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and the results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Group - Chartered Accountants, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that the transactions are authorized, properly recorded and reported and that the assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this board, and to discuss the results of their audit and their views on the adequacy of internal controls and the quality of the financial reporting.

Tom Hague
Chief Operating Officer

June 16, 2000

THE EXCHANGE
chartered accountants

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Civil Legal Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and the changes in its cash flows for the year then ended, in accordance with generally accepted accounting principles.

THE EXCHANGE
chartered accountants

Winnipeg, Manitoba
June 2, 2000

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CIVIL LEGAL SERVICES
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2000

	2000	1999
ASSETS		
CURRENT		
Cash and short-term deposits	$ 355	$ 260
Accounts receivable	306	756
Accounts receivable - Province of Manitoba	388	388
Deferred Contributions - Province of Manitoba	126	-
	1,175	1,404
CAPITAL, notes 2 and 3	69	74
PENSION TRUST	668	473
TRUST ASSET	6	6
	$ 1,918	$ 1,957
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 61	$ 30
Vacation payable	254	229
	315	259
PENSION LIABILITY	802	473
SEVERANCE LIABILITY, note 7	294	262
TRUST LIABILITY	6	6
	1,417	1,000
EQUITY		
RETAINED EARNINGS	501	957
	$ 1,918	$ 1,957

CIVIL LEGAL SERVICES
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
RECOVERIES	$ 3,600	$ 3,281
OTHER INCOME	48	29
INCOME BEFORE EXPENSES	3,648	3,310
EXPENSES		
Amortization	25	37
Desktop management initiative	189	17
U.S. foreign exchange	-	1
Law cases disbursements	24	1
Loss on disposal of capital assets	-	53
Other costs	184	182
Professional fees and services	89	71
Rentals	118	124
Wages and benefits	2,975	2,566
	3,604	3,052
NET INCOME	44	258
RETAINED EARNINGS, beginning of year	957	1,099
REVENUE SHARING - PROVINCE OF MANITOBA	(500)	(400)
RETAINED EARNINGS, end of year	$ 501	$ 957

CIVIL LEGAL SERVICES
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
OPERATING ACTIVITIES		
Cash flows from operations		
Net income	$ 44	$ 258
Add: non-cash charges		
Amortization	25	37
Loss on disposal of capital assets	-	53
	69	348
(Increase) decrease in non-cash working capital		
Accounts receivable	450	(260)
Accounts receivable - Province of Manitoba	-	(248)
Deferred contributions - Province of Manitoba	(126)	-
Accounts payable and accrued liabilities	31	10
Vacation payable	25	46
Severance liability	32	262
Pension liability	329	143
	741	(47)
Cash flows from operations	810	301
FINANCING ACTIVITIES		
Revenue sharing - Province of Manitoba	(500)	(400)
INVESTING ACTIVITIES		
Additions to capital assets	(19)	(44)
Pension investment	(196)	(472)
	(215)	(516)
INCREASE (DECREASE) IN CASH	95	(615)
CASH, beginning of year	260	875
CASH, end of year	$ 355	$ 260
REPRESENTED BY:		
Cash and short-term deposits	$ 355	$ 260

CIVIL LEGAL SERVICES
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

1. NATURE OF ORGANIZATION

The role of Civil Legal Services ("CLS") flows from the constitutional and statutory responsibilities of the Minister of Justice as the Chief Legal Advisor to government and the guardian of the public interest. Acting pursuant to government policy, Civil Legal Services is responsible for providing a full range of high quality legal services, on a cost recovery basis, to its clients, namely the Government of Manitoba, the government's agencies, boards and committees and some Crown corporations.

On April 1, 1992, CLS became the first government legal services office in Canada to recover the cost of providing legal services to its clients. While a number of provinces and the federal government are currently looking at the issue of cost recovery for in-house legal services, CLS remains the only government legal services office to operate on this basis.

Effective April 1, 1995, CLS was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

CLS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from CLS operations. It finances CLS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigourous planning and reporting requirements afforded by Special Operating status, assists CLS to sustain the provision of high quality legal services to its clients.

A Management Agreement between the Financing Authority and the Minister of Justice assigns responsibility to CLS to manage and account for CLS related assets and operations on behalf of the Financing Authority.

CLS continues to be part of Manitoba Justice under the general direction of the Associate Deputy Minister, and ultimately the policy direction of the Deputy Minister and Minister.

CLS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CLS have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and basis:

Furniture and fixtures - 20%, straight-line basis, 10% in year of acquisition on purchases over $1
Computer hardware and software - 20%, straight-line basis, 10% in year of acquisition on purchases over $1, software purchases less than $1 are expensed in the year of acquisition
Leasehold improvements - over 5 years, straight-line basis

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Furniture and fixtures	$ 96	$ 38	$ 58	$ 56
Computer hardware				
Leasehold improvements	38	27	11	18
	$ 134	$ 65	$ 69	$ 74

4. WORKING CAPITAL PAYABLE

CLS has an authorized line of working capital of $500 of which $Nil was used as at March 31, 2000.

5. THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Agency. The following employees received compensation in excess of $50:

Name	Position	2000	1999
E. Andres	Legal Counsel	$ 77	
J. Barak	Legal Counsel	$ 52	$ 80
A. Berg	Legal Counsel	$ 83	$ 80
I. Frost	Legal Counsel	$ 80	$ 83
D. Gisser	Legal Counsel	$ 80	$ 77
M. Goska	Legal Counsel	$ 59	
D. Guenette	Legal Counsel	$ 52	
T. Hague	Director	$ 91	$ 83
G. Hannon	Legal Counsel	$ 80	$ 77
J. Kapac	Legal Counsel	$ 76	$ 67
T. Krienke	Legal Counsel	$ 55	
L. Lavoie	Legal Counsel	$ 52	$ 64
D. Lofendale	Legal Counsel	$ 73	$ 66
W. McFetridge	Legal Counsel	$ 83	$ 80
G. Mildren	Legal Counsel	$ 83	$ 80
S. Pierce	Legal Counsel	$ 80	$ 77
C. Romeo	Legal Counsel	$ 77	$ 65
D. Seale	Legal Counsel	$ 52	
A. Stevens	Legal Counsel	$ 63	$ 57
M. Webb	Legal Counsel	$ 67	$ 66
D. Werthman	Legal Counsel	$ 66	$ 50
R. Winters	Legal Counsel	$ 80	$ 83

6. YEAR 2000 COMPLIANCE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, the agency has reviewed its systems, completed all modifications and currently believes it is 100% ready for the effects, if any, that may arise due the effects of the Year 2000 as at March 31, 2000.

7. SEVERANCE LIABILITY

Effective April 1, 1998, the Agency is recording accumulated severance payable benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement provided the employee reaches nine years of service and retires from the agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance at April 1, 1998 of $248 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $248.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

FINANCIAL STATEMENTS

(in thousands)

June 30, 1999

Chambers, Fraser & Co.
Chartered Accountants

Chambers, Fraser & Co.
Chartered Accountants
201-1874 Portage Avenue, Winnipeg, Man. R3J 0H2
Telephone (204) 889-0992
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Founded in 1951 By:
J.A. Chambers, C.A

PARTNERS:
E.E.Halligan, C.A.
D.A. Emery, C.A.
K.B. Hodgins, C.A.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to November 5, 1999.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

Daniel R. Kerr
Chief Operating Officer

W. Wayne Lavallee
Comptroller

Manitoba Education, Research and
Learning Information Networks (MERLIN)

November 5, 1999

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

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AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Manitoba Education, Research and Learning Information Networks (MERLIN), an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at June 30, 1999 and the statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at June 30, 1999, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chambers, Fraser + Co.

Chartered Accountants

Winnipeg, Manitoba
November 5, 1999

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

BALANCE SHEET
(in thousands)

	June 30	
	1999	1998
	$	$
ASSETS		
CURRENT ASSETS		
Receivables - note 3	2,941.2	2,768.8
Prepaid expenses	5.2	7.9
	2,946.4	2,776.7
RECEIVABLE FROM THE PROVINCE OF MANITOBA - note 4	45.6	45.6
CAPITAL ASSETS - note 5	206.2	96.1
	3,198.2	2,918.4
LIABILITIES		
CURRENT LIABILITIES		
Working capital advances - note 6	2,331.5	2,621.9
Accounts payable and accrued expenses	1,089.4	525.7
Unearned revenue	55.3	1.4
Current portion of long term debt	12.1	6.7
	3,488.3	3,155.7
LONG TERM DEBT - note 7	Nil	5.4
PENSION LIABILITY - note 8	110.7	74.6
SEVERANCE LIABILITY - note 9	33.6	26.4
DEFICIENCY IN ASSETS		
DEFICIT	(434.4)	(343.7)
	3,198.2	2,918.4

COMMITMENTS - notes 11 & 13

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

STATEMENT OF LOSS AND DEFICIT
(in thousands)

	Year Ended June 30	
	1999	1998
	$	$
REVENUE		
Audio and video delivery	94.2	76.9
Department of Education and Training- note 10	513.3	513.3
Internet delivery, installations and technology planning	790.3	649.2
Training	15.6	16.5
Webmaster services	73.3	71.0
	1,486.7	1,326.9
EXPENSES		
Administrative expenses (page 12)	201.4	191.3
Allocation to Campus Manitoba	47.7	47.7
Audio delivery	47.6	46.0
Bad debts	32.2	20.0
Interest	99.2	85.7
Internet access and support	302.4	333.0
Marketing	17.2	15.3
Salaries and employee benefits	737.0	649.7
Travel	35.7	31.0
Training delivery	7.7	10.6
Video delivery	49.3	42.6
	1,577.4	1,472.9
NET LOSS ON OPERATIONS	(90.7)	(146.0)
CANADA-MANITOBA INFRASTRUCTURE WORKS PROJECT - note 10		
Revenue (page 11)	3,738.0	3,439.8
Project expenditures	3,738.0	3,439.8
	Nil	Nil
NET LOSS	(90.7)	(146.0)
DEFICIT - beginning of year	(343.7)	(197.7)
DEFICIT - end of year	(434.4)	(343.7)

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

An Agency of the Special Operating Agencies Financing Authority

Province of Manitoba

STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)

	Year Ended June 30	
	1999	1998
	$	$
CASH DERIVED FROM (APPLIED TO)		
OPERATING		
Net Loss	(90.7)	(146.0)
Amortization	43.8	27.1
Change in		
Receivables	(172.4)	(264.0)
Prepaid expenses	2.7	11.3
Inventory		31.7
Accounts payable and accrued expenses	607.0	284.6
Unearned revenue	53.9	(78.2)
	444.3	(133.5)
INVESTING		
Acquisition of Capital Assets	(153.9)	(38.9)
FINANCING	Nil	Nil
INCREASE (DECREASE) IN CASH POSITION	290.4	(172.4)
WORKING CAPITAL ADVANCES - beginning of year	(2,621.9)	(2,449.5)
WORKING CAPITAL ADVANCES - end of year	(2,331.5)	(2,621.9)

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(in thousands)
June 30, 1999

1. NATURE OF ORGANIZATION

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Education and Training assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

MERLIN continues to be part of Manitoba Education and Training under the general and policy direction of the Minister.

MERLIN remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

MERLIN is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized annually on a straight line basis at the rates indicated in note 5, except in the period of acquisition when amortization is calculated at one half the rate indicated.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
June 30, 1999

3. RECEIVABLES

	1999	1998
	$	$
Trade and other	522.7	594.8
Department of Education and Training	147.0	145.3
Canada-Manitoba Infrastructure Works Project	2,271.5	2,028.7
	2,941.2	2,768.8

4. RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to designation as a Special Operating Agency and for severance pay benefits prior to March 31, 1998. The balance is comprised of:

	1999	1998
	$	$
Vacation entitlements	19.2	19.2
Severance pay benefits	26.4	26.4
	45.6	45.6

5. CAPITAL ASSETS

		1999			1998
	Rate(%)	Cost	Accumulated Amortization	Balance	Balance
		$	$	$	$
Computer Hardware	20	146.4	53.2	93.2	54.7
Computer Software	20	46.7	13.0	33.7	12.4
Equipment and furniture	20	102.9	23.6	79.3	29.0
		296.0	89.8	206.2	96.1

NOTES TO FINANCIAL STATEMENTS

(in thousands)
June 30, 1999

6. WORKING CAPITAL ADVANCES

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency's authorized line of working capital advances of $2.0 million was increased to $4.0 million to accommodate cash flow requirements from the Canada-Manitoba Infrastructure Works Project.

7. LONG TERM DEBT

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority on its behalf. The loan payable to the Government of Manitoba carries an interest rate of 8.775% and is repayable in annual instalments of $3.1, principal and interest, maturing June 30, 2000.

8. PENSION LIABILITY

Employees of the Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The Agency has recorded this obligation effective for the year ended June 30, 1998. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service.

9. CHANGE IN ACCOUNTING POLICY - Severance Pay Benefits

Effective July 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
June 30, 1999

9. CHANGE IN ACCOUNTING POLICY - Severance Pay Benefits (Continued)

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at July 1, 1998 of $26.4 was offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $26.4.

The June 30, 1998 figures have been restated to provide comparative information for the severance pay liability and the corresponding receivable from the Province

10. REVENUE - DEPARTMENT OF EDUCATION AND TRAINING

The Agency is responsible for the delivery of distance education and technology programs formerly provided through the Department of Education and Training. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

11. CANADA-MANITOBA INFRASTRUCTURE WORKS PROJECT

This project is designed to provide the infrastructure for improved access to courses, resources and support to rural, remote and off campus students.

The Agency signed a memorandum of understanding under the Canada-Manitoba Infrastructure Works Program which will provide for funding equal to approximately two thirds of the project expenditures. The balance of project expenditures are recovered from participating educational institutions or charged to Agency operations, depending on the nature of the expenditure.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
June 30, 1999

12. PUBLIC SECTOR COMPENSATION

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended June 30, 1999, the following employees received compensation of more than $50.0.

Name	Classification	Position	1999	1998
			$	$
Anderson, W.	IS-4	Senior Technology Specialist	59.3	
Hoger, P.	IS-4	Senior Technology Specialist	60.1	
Kerr, D. R.	SF-1	Chief Operating Officer	71.6	70.5
Wallin, G.	IS-4	Senior Technology Specialist	62.1	58.2

13. COMMITMENTS

The Agency leases office space and certain equipment under long term leases which expire at various dates. The future minimum payments required under these leases over the next five fiscal years are:

	$
2000	50.7
2001	22.0
2002	1.0
2003	1.0
2004	Nil

14. YEAR 2000 COMPLIANCE

The Agency has completed a review of its office hardware and software against the known issues of the Year 2000 compliance issue. All of the computer systems and versions of software currently in use are compliant. It is not possible to be certain that all aspects of the Year 2000 issue related to the efforts of customers, suppliers or other third parties will be fully resolved.

14. YEAR 2000 COMPLIANCE (Continued)

The Agency also uses the central systems of the Province of Manitoba, including payroll services and the voucher accounting system. The Province is addressing the Year 2000 issue with its Better Methods initiative. However, if the Province is unable to resolve the Year 2000 processing issue in a timely manner, it could result in a material financial risk to the Agency.

15. COMPARATIVE FIGURES

Certain comparative figures for the year ended June 30, 1998 have been restated to conform with the presentation adopted for the current year.

SCHEDULE OF CANADA-MANITOBA INFRASTRUCTURE WORKS PROJECT REVENUE

(in thousands)

	Year Ended June 30	
	1999	1998
	$	$
Grants		
Province of Manitoba	1,223.6	1,126.3
Government of Canada	1,223.6	1,126.3
	2,447.2	2,252.6
Participants	1,290.8	1,187.2
	3,738.0	3,439.8

SCHEDULE OF ADMINISTRATIVE EXPENSES
(in thousands)

	Year Ended June 30	
	1999	1998
	$	$
Amortization	43.8	27.1
Hospitality	1.3	.5
Occupancy	33.5	37.6
Office equipment leases	36.5	44.8
Office and sundry	35.7	36.8
Professional fees	17.0	5.4
Staff training	11.4	10.0
Telephone	22.2	29.1
	201.4	191.3

M·E·R·L·I·N

FINANCIAL STATEMENTS

March 31, 2000

Sill & Company
Chartered Accountants

M·E·R·L·I·N
THE LEARNING CONNECTION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to June 14, 2000.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

Daniel R. Kerr
Chief Operating Officer

W. Wayne Lavallee
Comptroller

Manitoba Education, Reseach and
Learing Information Networks (MERLIN)

June 14, 2000

Manitoba Education Research and Learning Information Networks
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MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

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Sill & Company
Chartered Accountants

AUDITORS' REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at **MARCH 31, 2000** and the statements of income and deficit, and cash flows for the period then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at **MARCH 31, 2000**, and the results of its operations and cash flows for the period then ended in accordance with generally accepted accounting principles.

The comparative figures for the year ended June 30, 1999 were reported on by other auditors.

Sill + Company

Winnipeg, Manitoba
June 14, 2000

CHARTERED ACCOUNTANTS

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Thomas Sill C.A.
(1927-1986) Founder

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K.W. Grower F.C.A.
S.G. Andrew C.A.
F.A. Wiebe C.A.
[illegible] C.A.

W.W. Findlater C.A.
R.J. Martens C.A.
T.R. McKim F.C.A.
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MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(In Thousands)

	March 31, 2000	June 30, 1999
ASSETS		
CURRENT		
Accounts receivable (Note 3)	$ 1,041	2,941
Prepaid expenses	4	5
	1,045	2,946
RESTRICTED SHORT-TERM DEPOSITS (Note 4)	138	
RECEIVABLE FROM THE PROVINCE OF MANITOBA (Note 5)	46	46
CAPITAL ASSETS (Notes 2 and 6)	187	206
	1,416	3,198
LIABILITIES		
CURRENT		
Working capital advances (Note 7)	679	2,331
Accounts payable and accrued expenses	600	1,029
Accrued vacation entitlements (Note 8)	72	60
Unearned revenue	79	55
Trust liabilities (Note 9)	100	
Current portion of long-term debt		12
	1,530	3,487
EMPLOYEE PENSION BENEFITS (Note 10)	181	111
SEVERANCE PAY LIABILITY (Note 11)	39	34
	1,750	3,632
COMMITMENTS (Note 14)		
EQUITY		
DEFICIT (Page 3)	(334)	(434)
	$ 1,416	3,198

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF INCOME AND DEFICIT

(In Thousands)

	Nine Months Ended March 31, 2000	Year Ended June 30, 1999
REVENUE		
Audio and video delivery	$ 104	94
Department of Education and Training (Note 12)	385	513
Internet delivery, installation and technology planning	1,258	1,540
Training	18	16
Webmaster services	84	73
	1,849	2,236
EXPENSES		
Administrative (Page 10)	159	201
Allocation to Campus Manitoba	36	48
Audio and video delivery	48	54
Bad debts	15	32
Interest	16	99
Internet access and support	863	1,052
Marketing	3	17
Salaries and employee benefits	629	737
Travel	20	36
Training delivery	3	8
Satellite expenses (recovery)	(43)	43
	1,749	2,327
INCOME (LOSS) BEFORE CANADA-MANITOBA INFRASTRUCTURE WORKS PROJECT	100	(91)
CANADA-MANITOBA INFRASTRUCTURE WORKS PROJECT (Note 13)		
Revenue		3,738
Project expenditures		3,738
NET INCOME (LOSS) FOR PERIOD	100	(91)
DEFICIT, BEGINNING OF PERIOD	(434)	(343)
DEFICIT, END OF PERIOD (Page 2)	$ (334)	(434)

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOWS
(In Thousands)

	Nine Months Ended March 31, 2000	Year Ended June 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for period	$ 100	(91)
Adjustment for		
Amortization	46	44
	146	(47)
Changes in non-cash working capital		
Accounts receivable	1,900	(172)
Prepaid expenses	1	3
Accounts payable and accrued expenses	(429)	563
Accrued vacation entitlements	12	
Trust fund liability	100	
Pension liability	70	36
Severance pay liability	5	8
Unearned revenue	24	53
	1,683	491
	1,829	444
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(27)	(154)
Transfer to restricted short-term deposits	(138)	
	(165)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(12)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,652	290
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	(2,331)	(2,621)
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ (679)	(2,331)

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
March 31, 2000

1. NATURE OF ORGANIZATION

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Education and Training assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency continues to be part of Manitoba Education and Training under the general and policy direction of the Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	- 20%
Computer software	- 20%
Equipment and furniture	- 20%

In the period of acquisition, amortization is calculated at one-half the rate indicated.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
March 31, 2000

3. ACCOUNTS RECEIVABLE

		March 31, 2000	June 30, 1999
Trade and other	$	510	579
Department of Education and Training			147
Canada-Manitoba Infrastructure Works Project		602	2,271
		1,112	2,997
Allowance for doubtful accounts		71	56
	$	1,041	2,941

4. RESTRICTED SHORT-TERM DEPOSITS

The Agency maintains separate short-term deposits with The Province of Manitoba to fund liabilities arising from Employee Pension Benefits (Note 10).

5. RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to designation as a Special Operating Agency and for severance pay benefits prior to March 31, 1998. The balance is comprised of:

		March 31, 2000	June 30, 1999
Vacation entitlements	$	19	19
Severance pay benefits		27	27
	$	46	46

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
March 31, 2000

6. CAPITAL ASSETS

		March 31, 2000		June 30, 1999	
		Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$	160	76	147	53
Computer software		57	20	46	13
Equipment and furniture		106	40	103	24
		323	136	296	90
Cost less accumulated amortization	$	187		206	

7. WORKING CAPITAL ADVANCES

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency's authorized line of working capital advances of $2.0 million was increased to $4.0 million to accommodate cash flow requirements from the Canada-Manitoba Infrastructure Works Project. This increase ended April 1, 2000.

Interest of $57 was accrued but not paid during the year, resulting in a cash flow of $Nil for the period.

8. ACCRUED VACATION ENTITLEMENTS

The Agency follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1998. The liability at this date is offset by a receivable from the Province and was $19 as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. As at March 31, 2000 there was an increase to the entitlement in the amount of $12. At the end of the fiscal year 1999/2000 the accrued vacation entitlement was $72.

9. TRUST LIABILITIES

Campus Manitoba	$ 34
Grassroots Internet	66
	$ 100

During the current fiscal year the Agency entered into an agreement with Industry Canada to operate a Grassroots Internet project for both Manitoba and Canadian Schools. The balance in the account represents funds paid to the Agency but not yet disbursed to the schools.

10. EMPLOYEE PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service as well as any variance resulting from the calculation.

A decision has been made that for the time being, SOA's will not be funded/matching employers for their pension obligation. Instead, each SOA will arrange with the Treasury Division the establishment of a separate investment account for pension-related funds. The Agency deposited on a quarterly basis, in this account the estimated amount of the current pension liability as advised by Finances. At the end of each fiscal year, the balance in the investment account will be adjusted to reflect the revised pension liability recorded at that date. The Agency is assuming an 8% interest rate as per the actuarial interest projection provided by Finance.

11. SEVERANCE PAY LIABILITY

Effective July 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at July 1, 1998 of $26 was offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $26. Any subsequent change in the severance pay liability will be recorded as an expense to the Agency. As at March 31, 2000, there was an increase to the liability in the amount of $7. At the end of the fiscal period, the severance pay liability was $41.

12. REVENUE - DEPARTMENT OF EDUCATION AND TRAINING

The Agency is responsible for the delivery of distance education and technology programs formerly provided through the Department of Education and Training. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

13. CANADA-MANITOBA INFRASTRUCTURE WORKS PROJECT

This project was designed to provide the infrastructure for improved access to courses, resources and support to rural, remote and off campus students.

The Agency signed a memorandum of understanding under the Canada-Manitoba Infrastructure Works Program which will provide for funding equal to approximately two thirds of the project expenditures. The balance of project expenditures are recovered from participating educational institutions or charged to Agency operations, depending on the nature of the expenditure.

14. COMMITMENTS

The Agency leases office space and certain equipment under long-term leases which expire at various dates. The future minimum payments required under these leases over the next two fiscal years are:

2001	$	49
2002		24

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

16. COMPARATIVE FIGURES

Certain of the comparative figures for the year ended June 30, 1999 have been reclassified to provide better comparison with the current year's presentation.

17. CHANGE OF FISCAL YEAR END

During the current period, the Agency changed its fiscal year end to March 31 from June 30 to coincide with the year end of the Special Operating Agencies Financing Authority and the Province of Manitoba. Accordingly, the results of operations are for the nine months ended March 31, 2000 with comparative figures for the twelve months ended June 30, 1999.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS (MERLIN)

AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY PROVINCE OF MANITOBA

SCHEDULE OF ADMINISTRATIVE EXPENSES (In Thousands)

	Nine Months Ended March 31, 2000	Year Ended June 30, 1999
Amortization	$ 34	44
Hospitality	1	1
Occupancy	25	34
Office equipment leases	10	36
Office and sundry	52	36
Professional fees	6	17
Staff training	14	11
Telephone	17	22
	$ 159	201

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE

(In Thousands)

Nine months ended March 31, 2000

EMPLOYEE	TITLE	COMPENSATION
Dan Kerr	Chief Operating Officer	$ 57
Patrick Hoger	Senior Technology Specialist	51

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.

LAND MANAGEMENT SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2000

LAND MANAGEMENT SERVICES

MARCH 31, 2000

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Land Management Services
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting

The Agency's management is responsible for the financial statements and other financial information in the annual report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and the results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Group - Chartered Accountants, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that the transactions are authorized, properly recorded and reported and that the assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, and to discuss the results of their audit and their views on the adequacy of internal controls and the quality of the financial reporting.

Doug Parnell
Chief Operating Officer

June 2, 2000

EXG
THE EXCHANGE
chartered accountants

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Land Management Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

THE EXCHANGE
chartered accountants

Winnipeg, Manitoba
June 2, 2000

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LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2000

	2000	1999
ASSETS		
CURRENT		
Accounts receivable	$ 439	$ 514
Accounts receivable - Province of Manitoba	320	320
Work in process	92	231
Prepaid expenses	21	239
	872	1,304
PENSION TRUST, note 6	385	286
CAPITAL, notes 2 and 3	597	546
	$ 1,854	$ 2,136
LIABILITIES		
CURRENT		
Working capital payable, note 4	$ 271	$ 192
Accounts payable and accrued liabilities	229	190
Accounts payable - Province of Manitoba	134	404
	634	786
PENSION LIABILITY, note 6	385	286
SEVERANCE LIABILITY, note 7	205	195
	590	481
FUNDS HELD IN TRUST	86	32
EQUITY		
RETAINED EARNINGS	544	837
	$ 1,854	$ 2,136

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
RECOVERIES	$ 2,736	$ 2,787
OTHER INCOME	16	19
INCOME BEFORE EXPENSES	2,752	2,806
EXPENSES		
Administrative, page 10	836	782
Operating, page 10	129	374
Wages and benefits, note 5	1,579	1,487
	2,544	2,643
NET INCOME	208	163
RETAINED EARNINGS, beginning of year	836	1,173
	1,044	1,336
REVENUE SHARING - Province of Manitoba	(500)	(500)
RETAINED EARNINGS, end of year	$ 544	$ 836

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
OPERATING ACTIVITIES		
Cash flows from operations		
Net income	$ 208	$ 163
Add: non-cash charges		
Amortization	175	132
Loss on disposal of fixed assets	32	-
	415	295
(Increase) decrease in non-cash working capital		
Accounts receivable	75	131
Work in process	139	(82)
Prepaid expenses	218	(238)
Pension trust	(99)	(286)
Accounts payable and accrued liabilities	39	(189)
Pension liability	99	82
Severance liability	10	8
Sale of surplus properties	(271)	404
Funds held in trust	54	-
	264	(170)
Cash flows from operations	679	125
FINANCING ACTIVITIES		
Revenue sharing paid	(500)	(500)
INVESTING ACTIVITIES		
Additions to capital assets	(258)	(260)
DECREASE IN CASH	(79)	(635)
CASH, beginning of year	(192)	443
CASH, end of year	$ (271)	$ (192)
REPRESENTED BY:		
Working capital payable	$ (271)	$ (192)

1. NATURE OF ORGANIZATION

In 1965, The Land Acquisition Act was passed into law, bringing the Land Acquisition Branch into existence to provide a consistent process of real estate acquisition by government.

Effective April 1, 1995, the Land Acquisition Branch, under the operating name Land Management Services ("LMS"), was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

LMS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from LMS operations. It finances LMS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigourous planning and reporting requirements afforded by Special Operating status, assist LMS to sustain the provision of high quality land acquisition services to its clients.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to LMS to manage and account for LMS related assets and operations on behalf of the Financing Authority.

LMS continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, and ultimately the policy direction of the Deputy Minister and Minister of Highways and Government Services.

LMS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LMS have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and bases:

Computer software and equipment	- 20%, straight-line basis, 10% in year of acquisition, software purchases less than $1.0 are expensed in the year of acquisition
Equipment - office	- 20%, straight-line basis, 10% in year of acquisition on purchases over $1.0

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Computer software and equipment	$ 965	$ 385	$ 580	$ 521
Equipment - office	39	22	17	25
	$ 1,004	$ 407	$ 597	$ 546

4. WORKING CAPITAL

LMS has an authorized line of working capital of $800 of which $271 was used as at March 31, 2000.

5. THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Agency. The following employees received compensation in excess of $50:

Name	Position	2000 Amount	1999 Amount
Doug Parnell	Chief Operating Officer	$77	$74
Raeburn Csversko	Manager Appraisals/Acquisitions	$61	$58
Garfield Minkus	Property Appraiser	$57	$55
Wes Shewchuk	Property Appraiser	$53	$54
Scott Millar	Property Appraiser	$53	$51
Richard Staub	Property Appraiser	$54	$50
Jerry McLeod	Property Appraiser	$50	

6. PENSION LIABILITY

LMS is responsible for the pension liability incurred for their employees from the date of designation as a SOA. LMS has recorded this obligation effective for the year ended March 31, 1998. LMS will continue not to be a funded employer and will not turn funds over to the Superannuation Fund to administer. Instead, LMS will deposit in this account an amount equal to the pension liability recorded at March 31, 1998, plus an amount equal to employee contributions from April 1, 1998 to date. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

7. SEVERANCE PAY BENEFITS

Effective April 1, 1998, the LMS is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from LMS. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability as at April 1, 1998 of $188 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $188.

8. YEAR 2000 COMPLIANCE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occured, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF EXPENSES
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
ADMINISTRATIVE		
Amortization	$ 175	$ 132
Contributed services	101	17
Computer maintenance	276	442
Human resources overhead	18	20
Occupancy costs	117	117
Other	39	13
Supplies	101	29
Training	9	12
	$ 836	$ 782

	2000	1999
OPERATING		
Printing, postage and advertising	$ 23	$ 84
Professional fees	36	117
Telephone	34	65
Travel and accommodation	36	108
	$ 129	$ 374

PINELAND FOREST NURSERY
FINANCIAL STATEMENTS
MARCH 31, 2000

Pineland
Forest Nursery

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of the management of Pineland Forest Nursery and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data up to May 19, 2000.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor is to express an independent opinion on whether the financial statements of Pineland Forest Nursery are fairly represented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Ivan J. Balenovic
Chief Executive Officer

May 19, 2000

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PINELAND FOREST NURSERY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

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March 31, 2000

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MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS
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Telephone (204) 942-4441
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AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Pineland Forest Nursery, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000, and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000, and results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Magnus & Buffi

Chartered Accountants

May 19, 2000

PINELAND FOREST NURSERY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)

March 31, 2000	2000	1999
		(Note 9)
ASSETS		
CURRENT ASSETS		
Cash	$ 4	$ 4
Receivables (Note 3)	192	240
Unbilled revenue (Note 2)	221	218
Inventory (Note 2)	157	93
Prepaids	31	43
	605	598
TERM DEPOSITS (Note 4)	284	272
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 5)	303	303
CAPITAL ASSETS (Notes 2 and 6)	3,021	3,125
	$4,213	$4,298
LIABILITIES		
CURRENT LIABILITIES		
Working capital payable (Note 7)	$2,041	$2,340
Payables and accruals	215	227
Current portion of long term debt	69	33
	2,325	2,600
LONG TERM DEBT (Note 8)	180	216
LONG TERM LIABILITIES		
Pension benefits (Note 9)	455	334
Severance pay benefits (Note 10)	163	177
	618	511
	3,123	3,327
EQUITY		
CONTRIBUTED EQUITY (Note 11)	356	356
RETAINED EARNINGS	734	615
	1,090	971
	$4,213	$4,298

PINELAND FOREST NURSERY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS AND RETAINED EARNINGS

(in thousands)
Year ended March 31, 2000

REVENUE	
PRIVATE SECTOR	
Overwinter	$1,815
Current	741
Bareroot	3
Seed services	172
Poplar program	30
Other	28
	2,789
PROVINCE OF MANITOBA	
Overwinter	971
Current	87
Bareroot	350
Seed services	1
Tree improvement	4
Other	33
	1,446
Term deposit interest	12
	4,247
EXPENSES	
Salaries and benefits	2,036
Supplies	489
Natural gas and hydro	422
Repairs and maintenance	313
Property taxes and insurance	73
Office	70
Departmental services and professional fees	53
Freight	49
Travel	37
Marketing	18
Miscellaneous	7
Amortization	414
Interest - operating loan	125
Interest - capital loan	22
	4,128
NET EARNINGS FOR THE YEAR	119
RETAINED EARNINGS, beginning of year	615
RETAINED EARNINGS, end of year	$ 734

PINELAND FOREST NURSERY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW

(in thousands)

Year Ended March 31, 2000	**2000**	**1999**
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	$ 119	$ (27)
Amortization	414	416
Pension expense	121	81
Severance expense	(14)	35
	640	505
Changes in non-cash working capital balances (Note 13)	(19)	(266)
	621	239
INVESTING ACTIVITIES		
Acquisition of capital assets	(310)	(557)
Increase in term deposits	(12)	(272)
	(322)	(829)
FINANCING ACTIVITY		
Long term debt repayment	—	(30)
CHANGE IN CASH	299	(620)
CASH AND EQUIVALENTS, beginning of year	(2,336)	(1,716)
CASH AND EQUIVALENTS, end of year (Note 13)	$(2,037)	$(2,336)

PINELAND FOREST NURSERY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

1. NATURE OF ORGANIZATION

In 1953, Pineland Provincial Forest Nursery was established to meet all the nursery stock requirements of the province at one location. Prior to 1953 there were several small nurseries located throughout the province.

Effective April 1, 1995, Pineland Forest Nursery was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

Pineland Forest Nursery is financed through the Special Operating Agencies Financing Authority (Financing Authority). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations.

A Management Agreement between the Financing Authority and the Minister of Conservation assigns responsibility to the Agency to manage and account for the agency related assets and operations on behalf of the Financing Authority.

Pineland Forest Nursery continues to be part of Manitoba Conservation under the general direction of the Assistant Deputy Minister of Conservation and ultimately the policy direction of the Deputy Minister and the Minister.

Pineland Forest Nursery remains bound by relevant legislation and regulations. It is also bound by administrative policy, except where specific exemptions have been provided for in its charter in order to meet business objectives.

Pineland Forest Nursery is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province and all of its financing requirements through the Financing Authority.

PINELAND FOREST NURSERY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA
NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The financial statements of the Agency are presented in accordance with generally accepted accounting principles. The significant accounting policies are summarized as follows:

Inventory:
Supplies - inventory is recorded at the lower of cost and replacement cost.

Capital Assets: Capital assets are amortized over their estimated lives as follows:

Greenhouses, coldframes, freezers, holding area	10% declining balance
Minor service buildings, major pumphouse	10% declining balance
Major service buildings, propane conversion	10% declining balance
Equipment	20-30% declining balance

Revenue recognition: Revenues are recognized on a percentage of completion basis. Any excess of revenue recorded on a percentage of completion basis over amounts billed is recorded as unbilled revenue.

3. RECEIVABLES

	2000	1999
Province of Manitoba	$ 36	$ 65
Other	156	175
	$192	$240

4. TERM DEPOSITS

The Agency has invested funds in term deposits with the intention that these funds will be used to meet their pension obligations.

5. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency, for severance pay benefits prior to April 1, 1998 and for adjustments to the pension benefits liability for which the Province has accepted responsibility (Note 9). The balance is comprised of:

	2000	1999
Vacation entitlement	$ 99	$ 99
Severance pay benefits	142	142
Pension benefits	62	62
	$303	$303

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2000	Net Book Value 1999
Buildings	$3,610	$1,187	$2,423	$2,514
Equipment	1,045	447	598	611
	$4,655	$1,634	$3,021	$3,125

7. WORKING CAPITAL PAYABLE

The Financing Authority has provided the Agency with an authorized line of working capital of $3,000 of which $2,041 (1999 - $2,340) was advanced at March 31, 2000.

8. LONG TERM DEBT

The Financing Authority assumed a loan payable to the Province of Manitoba on behalf of the Agency as specified in the Management Agreement. The loan payable was issued for $356 at an interest rate of 9% repayable by the Agency in annual instalments of $55, principal and interest maturing in 2005.

Principal repayments in each of the next five years are as follows:

2001	69
2002	39
2003	43
2004	47
2005	51

9. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for pension liability incurred for their employees from the date of designation as an SOA. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service as well as for any variance resulting from the calculation.

The Province has determined that, due to changes in the calculation methodology and its application, the Agency's pension benefits liability as at March 31, 1999 was $334 rather than $272 as previously calculated and has accepted responsibility for this variance. Accordingly, the comparative figures have been reclassified to reflect a pension benefit liability of $334 and a receivable from the Province of $62 (Note 5).

10. SEVERANCE PAY BENEFITS

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $142 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable and the amount will remain fixed at $142.

11. CONTRIBUTED EQUITY

The Special Operating Agencies Financing Authority and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventory and capital assets valued at $712 required for the continuing operations of Pineland Forest Nursery as at March 31, 1995. The Agency is responsible to repay the Special Operating Agencies Financing Authority the debt portion, in the amount of $356 (being ½ of the value of the assets) and to record the remainder as Manitoba's equity in the Financing Authority as related to the Agency's operations.

12. COMPARATIVE FIGURES

Due to significant changes in the classifications of revenue and expenses adopted in the current year, the presentation of comparative figures in the Statement of Earnings and Retained Earnings was not practical.

In addition, where comparative figures are presented they have been reclassified to conform with the presentation adopted in the current year.

13. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital balances:

	2000	1999
Receivables	$ 48	$ 216
Unbilled revenue	(3)	(135)
Inventory	(64)	30
Prepaids	12	(21)
Payables and accruals	(12)	(356)
	$(19)	$(266)

Cash and equivalents:

	2000	1999
Cash	$ 4	$ 4
Working capital payable	(2,041)	(2,340)
	$(2,037)	$(2,336)

14. YEAR 2000 COMPLIANCE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

PINELAND FOREST NURSERY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
Year ended March 31, 2000

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION	
		2000	1999
Ivan Balenovic	Chief Executive Officer	$69	
Richard Cameron	(Former) Chief Operating Officer		$75

COMPANIES OFFICE
FINANCIAL STATEMENTS
MARCH 31, 2000

REPONSIBILITY FOR FINANCIAL REPORTING

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Agency's financial statements have been audited by Magnus & Buffie, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized properly recorded and reported, and that assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, if required to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

On Behalf of Management;

Myron Pawlowsky
Chief Operating Officer

Dave Rudy
Controller

MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS
906 - 386 Broadway, Winnipeg, Manitoba, Canada R3C 3R6
Telephone (204) 942-4441
Fax (204) 944-0400

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Companies Office, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000, and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Magnus & Buffie

Chartered Accountants

May 10, 2000

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)

March 31, 2000	**2000**	**1999**
ASSETS		
CURRENT ASSETS		
Cash and Short Term Deposits	$ 2,505	$ 2,188
Accounts Receivable (Note 4)	102	59
Prepaids	14	14
	2,621	2,261
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 5)	262	262
CAPITAL ASSETS (Notes 2 and 6)	18	25
	$ 2,901	$ 2,548
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued	$ 88	$ 407
Accrued Vacation Entitlements	123	117
	211	524
LONG TERM LIABILITIES		
Accrued Pension Liability (Note 7)	240	166
Severance Pay Liability (Note 8)	204	191
	444	357
	655	881
EQUITY		
RETAINED EARNINGS	2,246	1,667
	$ 2,901	$ 2,548

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS AND RETAINED EARNINGS

(in thousands)

Year ended March 31, 2000	**2000**	**1999**
REVENUE		
Fees and Services	$ 3,814	$ 3,711
Less: Gazette Advertising	(268)	(272)
	3,546	3,439
Interest	90	60
	3,636	3,499
EXPENSES		
Salaries and Employee Benefits	1,195	1,125
Operating Expenses (Schedule 1)	605	529
Amortization - Capital Assets	7	12
Loss on Disposal of Capital Assets		19
	1,807	1,685
NET EARNINGS FOR THE YEAR	1,829	1,814
RETAINED EARNINGS, beginning of year	1,667	1,103
	3,496	2,917
REVENUE SHARE TO PROVINCE OF MANITOBA	1,250	1,250
RETAINED EARNINGS, end of year	$ 2,246	$ 1,667

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)

Year Ended March 31, 2000	2000	1999
CASH FLOW FROM (USED IN):		
OPERATING ACTIVITIES		
Net Earnings For The Year	$ 1,829	$ 1,814
Adjustments For		
Amortization - Capital Assets	7	12
Pension Expense	74	65
Severance Pay Expense	13	20
	1,923	1,911
Net Change in Non-Cash Working Capital Items (Note 9)	(356)	457
	1,567	2,368
INVESTING ACTIVITIES		
Acquisition of Capital Assets		(3)
Book Value of Capital Assets Disposed		20
		17
FINANCING ACTIVITY		
Revenue Share to Province of Manitoba	(1,250)	(1,250)
CHANGE IN CASH AND SHORT TERM DEPOSITS	317	1,135
CASH AND SHORT TERM DEPOSITS, beginning of year	2,188	1,053
CASH AND SHORT TERM DEPOSITS, end of year	$ 2,505	$ 2,188

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

1. NATURE OF ORGANIZATION

Effective April 1, 1996, the Lieutenant Governor in Council designated the Companies Office as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council. Another Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency, to enter into a management agreement with respect to the Agency. The management agreement assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA. SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

The Companies Office continues to be part of Manitoba Consumer and Corporate Affairs under the general direction of the Minister, Consumer and Corporate Affairs, and the Deputy Minister who is also Chairperson of the Companies Office Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The financial statements have been prepared in accordance with generally accepted accounting principles.

Capital Assets: Capital assets are amortized over their estimated lives as follows:

-	Computer Equipment and Software	20% straight-line (10% in year of acquisition)
-	Office Equipment	20% straight-line (10% in year of acquisition)
-	Furniture and Fixtures	20% straight-line (10% in year of acquisition)

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

3. FINANCING ARRANGEMENTS

Working capital advances and long-term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $100 limit in working capital advances. The Agency did not access working capital advances during the year.

4. ACCOUNTS RECEIVABLE

	2000	1999
Trade	$ 15	$ 10
Accrued Revenue	87	49
	$ 102	$ 59

5. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2000	1999
Vacation Entitlements	$ 92	$ 92
Severance Pay Benefits	170	170
	$ 262	$ 262

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2000	Net Book Value 1999
Computer Equipment and Software	$ 27	$ 13	$ 14	$ 19
Office Equipment	6	3	3	4
Furniture and Fixtures	3	2	1	2
	$ 36	$ 18	$ 18	$ 25

7. ACCRUED PENSION LIABILITY

Employees of the Agency are eligible for pension benefits in accordance with provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for pension liability incurred for their employees from the date of designation as an SOA. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service as well as for any variance resulting from the calculation.

8. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $170 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable and the amount will remain fixed at $170.

9. STATEMENT OF CASH FLOW

Net change in non-cash working capital items is comprised as follows:

	2000	1999
Accounts Receivable	$ (43)	$ 88
Prepaids		2
Accounts Payable and Accrued	(319)	355
Accrued Vacation Entitlements	6	12
	$ (356)	$ 457

10. LEASE COMMITMENT

The Agency has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2001 are estimated to be $112 (2000 - $114).

11. YEAR 2000 COMPLIANCE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF OPERATING EXPENSES
(in thousands)
Year ended March 31, 2000

	2000	1999
Accounting	$ 3	$ 1
Audit	4	4
Bad Debts	1	2
Bank Charges	4	5
Communications	27	26
Computer	86	74
Department Services	12	19
Desktop	52	10
Equipment Maintenance and Rentals	9	11
Insurance	11	11
Legal Services	2	7
Miscellaneous	9	9
NUANS	158	133
Office Rent	114	117
Payroll Processing	3	1
Postal and Courier	42	42
Programmers	23	14
Stationery	40	40
Transportation	5	3
	$ 605	$ 529

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
Year ended March 31, 2000

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50,000 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2000	COMPENSATION 1999
Myron Pawlowsky	Chief Operating Officer	$74	$71
Joan Alty	Deputy Director - Legal	52	56
Shane Lasker	Acting Deputy Director - Legal	53	

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Financial Statements

March 31, 2000

Manitoba

**Education
and Training**

Manitoba Text Book Bureau

130 - 1st Avenue West
P.O. Box 910
Souris, MB R0K 2C0
CANADA

TEL. (204) 483-4040
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1-800-305-5515 (Man. Only)
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MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Bureau are properly safeguarded. Staff at the Provincial Auditor's Office review internal controls and report their findings to management.

The responsibility of the Provincial Auditor is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Lanny Kingerski
Chief Operating Officer

Denis Labossiere, C.G.A.
Controller

Souris, Manitoba
May 26, 2000

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Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of The Manitoba Text Book Bureau as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bureau as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

James Martin

Winnipeg, Manitoba
May 26, 2000

James M. Martin, CA
for the Provincial Auditor

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet

(in thousands)

March 31	2000	1999
Assets		
Current		
Cash	$ 176	$ 12
Accounts receivable	613	854
Inventory	1,834	2,101
Prepaid expenses	12	15
	2,635	2,982
Pension investments (Note 7)	70	
Receivable from Province of Manitoba (Note 8)	63	63
Capital assets (Note 3)	133	63
	$ 2,901	$ 3,108
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 641	$ 445
Customer deposit accounts	264	523
Working capital advance (Note 10)	1,234	1,377
	2,139	2,345
Accrued pension and severance entitlements	126	103
	2,265	2,448
Equity		
Contributed equity (Note 4)	550	550
Retained earnings	86	110
	636	660
	$ 2,901	$ 3,108

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statements of Income and Retained Earnings

(in thousands)

Year Ended March 31	2000	1999
Sales	$ 8,332	$ 8,532
Cost of goods sold:		
Inventory, beginning of year	2,101	1,873
Purchases	6,826	7,478
Transportation in	36	33
	8,963	9,384
Inventory, end of year	1,834	2,101
Cost of goods sold	7,129	7,283
Gross profit	1,203	1,249
General and administrative expenses		
Amortization	28	18
Audit	1	15
Computer expense	57	22
Employee benefits	74	52
Interest	89	93
Marketing	20	22
Office	34	45
Office occupancy	56	56
Postage	6	6
Salaries	407	401
Telephone	16	23
Transportation out	88	94
Training	5	2
Travel	10	15
Warehouse occupancy	108	102
Warehouse service	228	219
	1,227	1,185
Net (loss) income for the year	$ (24)	$ 64

Retained earnings, beginning of year	$ 110	$ 46
Net (loss) income	(24)	64
Retained earnings, end of year	$ 86	$ 110

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows

(in thousands)

Year Ended March 31	2000	1999
Increase (decrease) in cash		
Operating		
Net (loss) income for the year	$ (24)	$ 64
Amortization	28	18
	4	82
Changes in		
Accounts receivable	241	(350)
Inventory	267	(229)
Prepaid expenses	3	1
Accounts payable and accrued liabilities	196	(381)
Customer deposit accounts	(259)	428
	452	(449)
Investing		
Pension investments	(70)	
Acquisition of capital assets	(98)	(23)
	(168)	(23)
Financing		
Accrued pension and severance entitlements	23	6
Changes in working capital advance	(143)	442
	(120)	448
Net increase (decrease) in cash	164	(24)
Cash, beginning of year	12	36
Cash, end of year	$ 176	$ 12

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2000

1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education and Training. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba.

Effective April 1, 1996, the MTBB was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S 185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The MTBB is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the MTBB through working capital advances. This financial framework enables the MTBB to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Special Operating Agencies Financing Authority and the Minister of Education and Training assigns responsibility to the MTBB to manage and account for the MTBB related assets and operations on behalf of SOAFA.

The MTBB continues to be part of the Department of Education and Training under the general direction of the Assistant Deputy Minister, School Programs Division, and ultimately the policy direction of the Deputy Minister and Minister.

The MTBB remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. Significant accounting policies

Basis of Reporting

The financial statements of the Bureau are presented in accordance with Generally Accepted Accounting Principles.

Inventories

Inventories are valued using the average unit cost method.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2000

2. Significant accounting policies - continued

Capital assets

Capital Assets are recorded at cost in the year of acquisition. Rates and basis of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Office equipment, furniture and video recording equipment	20% declining balance
Computer software and equipment	20% straight line

3. Capital Assets

			2000	1999
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Computer software & equipment	$ 155	$ 57	**$ 98**	$ 28
Office equipment & furniture	22	17	**5**	6
Video recording equipment	63	33	**30**	29
	$ 240	$ 107	**$ 133**	$ 63

4. Contributed equity

SOAFA and the Government of Manitoba entered into a Transfer Agreement in connection with the transfer from Manitoba to SOAFA of assets valued at $5,240 and liabilities of $4,690 required for the continuing operations of the MTBB as at March 31, 1996. The Manitoba Text Book Bureau recorded the balance of $550 (being the value of the net assets) as Manitoba's Contributed Equity in SOAFA as related to the Bureau's operations.

5. Contractual obligations

The MTBB has contracted with Direct Distribution Centres for the provision of warehousing and distribution services for a period of one year that will expire on March 31, 2001. The total cost for the contract is $277, of which $167 is a labour and packaging supplies component, and $110 is an occupancy component.

6. Related party transactions

The MTBB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Bureau enters into transactions with these entities in the normal course of business.

7. Employee Pension Liability

The employees of MTBB are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. Pursuant to an agreement with the Province of Manitoba, Special Operating Agencies (SOAs) are responsible for the pension liability incurred for their employees only from each Agency's date of designation as a SOA. The methodology for calculating the liability was determined in conjunction with the Province, and the Province has accepted responsibility for the pension liability for prior service, as well as for any variance resulting from the calculation.

MTBB, along with other SOAs, is not funding its employee pension liability with the Province's Superannuation Fund. Instead, MTBB has arranged with Treasury Division for a separate investment account for pension-related funds. The Agency deposited in the account the amount of the pension liability recorded at March 31, 1998 plus current contributions as advised by Finance. In future periods, MTBB is to make deposits equal to its employees' contributions to the Superannuation Fund during the period. As of March 31, each year, the balance in the separate investment account is to be adjusted to agree with the accumulated pension liability balance, as provided by the Civil Service Commission. Interest earned on the account will be reported in the Agency's Statement of Earnings.

As MTBB employees retire, the Civil Service Commission will make current payments to the Superannuation Fund for the retired employees and will recover applicable costs from MTBB, with MTBB reimbursing the Commission from its separate investment account.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2000

8. Severance pay

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $63 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $63.

The ending balance at March 31, 2000 of severance liability is $44 ($52 at March 31, 1999).

9. Public sector compensation

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended March 31, 2000, one employee received compensation in excess of $50.

Name	Position	Amount
Lanny Kingerski	Chief Operating Officer	$ 61 (1999 - $59)

10. Working capital

The Bureau has an authorized line of working capital advances of $4,000, of which $1,234 was used as of March 31, 2000 (1999 - $1,377).

MAIL MANAGEMENT AGENCY

FINANCIAL STATEMENTS

MARCH 31, 2000

MAIL MANAGEMENT AGENCY

MARCH 31, 2000

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Mail Management Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting

The Agency's management is responsible for the financial statements and other financial information in the annual report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and the results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Chartered Accountants, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that the transactions are authorized, properly recorded and reported and that the assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, and to discuss the results of their audit and their views on the adequacy of internal controls and the quality of the financial reporting.

Greg Bowers
A/Chief Operating Officer

June 29, 2000

THE EXCHANGE
chartered accountants

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Mail Management Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and changes in its financial position for the year then ended, in accordance with generally accepted accounting principles.

THE EXCHANGE

chartered accountants

Winnipeg, Manitoba
June 29, 2000

100-123 Bannatyne Ave., Winnipeg, Manitoba R3B 0R3
Telephone (204) 943-4584 Fax (204) 957-5195
E-mail info@exg.ca Website www.exg.ca

MAIL MANAGEMENT AGENCY

(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2000

	2000	1999
ASSETS		
CURRENT		
Accounts receivable	$ 699	$ 1,001
Accounts receivable - Province of Manitoba	182	156
Prepaid expenses	38	127
	919	1,284
INVESTMENT - PENSION	115	-
CAPITAL ASSETS, notes 2 and 4	117	98
OTHER ASSETS, notes 2 and 5	48	-
PENSION TRUST, note 7	48	91
	$ 1,247	$ 1,473
LIABILITIES		
CURRENT		
Working capital payable, note 6	$ 227	$ 287
Accounts payable and accrued liabilities	280	433
Deferred revenue	2	30
	509	750
PENSION LIABILITY, note 7	163	91
SEVERANCE LIABILITY, note 8	99	94
	771	935
EQUITY		
CONTRIBUTED EQUITY, note 11	51	51
RETAINED EARNINGS, note 3	425	487
	476	538
	$ 1,247	$ 1,473

MAIL MANAGEMENT AGENCY

(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS

(In Thousands)

YEAR ENDED MARCH 31, 2000

	2000	1999
REVENUES		
Mail processing	$ 4,674	$ 4,462
Mail finishing	321	262
Inter department mail	769	738
Contract administrative fees	28	21
	5,792	5,483
EXPENSES		
Amortization	39	19
Bad debts	13	-
Communications	11	10
Courier	138	121
Employee benefits	111	101
Equipment rental and maintenance	52	41
Interest	42	24
Leases	18	-
Loss on disposal of capital assets	-	2
Network	36	-
Miscellaneous operating	23	8
Office	26	34
Occupancy	109	109
Postage	4,315	4,142
Professional fees	199	99
Salaries, note 9	722	654
	5,854	5,364
NET INCOME (LOSS)	(62)	119
RETAINED EARNINGS, beginning of year, as restated	487	368
RETAINED EARNINGS, end of year	$ 425	$ 487

MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
OPERATING ACTIVITIES		
Cash flows from operations		
Net income (loss)	$ (62)	$ 119
Add: non-cash charges		
Amortization	39	18
Loss on disposal of fixed assets	-	2
	(23)	139
(Increase) decrease in non-cash working capital		
Accounts receivable	276	(312)
Prepaid expenses	89	102
Pension trust	43	(91)
Accounts payable and accrued liabilities	(156)	190
Deferred revenue	(28)	25
Pension liability	72	35
Severance liability	5	6
	301	(45)
Cash flows from operations	278	94
FINANCING ACTIVITIES		
Decrease in long-term debt	-	(42)
INVESTING ACTIVITIES		
Additions to capital assets	(43)	(53)
Additions to other assets	(60)	-
Increase in long-term investments	(115)	-
	(218)	(53)
INCREASE (DECREASE) IN CASH	60	(1)
BANK INDEBTEDNESS, beginning of year	(287)	(286)
BANK INDEBTEDNESS, end of year	$ (227)	$ (287)
REPRESENTED BY:		
Working capital payable	$ (227)	$ (287)

MAIL MANAGEMENT AGENCY

(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS

(In Thousands)

MARCH 31, 2000

1. NATURE OF ORGANIZATION

In 1956, Mail Management (Postal Services) was created as a branch of the Manitoba Provincial Government to provide centralized postal management.

Effective April 1, 1996, the Postal Services was renamed Mail Management Agency (MMA) and designated as a Special Operating Agency (SOA) pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

MMA is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from MMA operations. It finances MMA through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to the public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to MMA to manage and account for MMA related assets and operations on behalf of the Financing Authority.

MMA continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

MMA remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the MMA have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(a) Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and bases:

Production equipment	-	20% diminishing balance basis
Computer equipment	-	20% straight-line basis

(b) Other Assets

Other assets are recorded at cost and are amortized at the following rate on a straight-line basis:

Computer conversion	over 5 years

3. CORRECTION OF PRIOR PERIOD ERROR

While completing the financial statements for the year ending March 31, 2000, MMA determined that a reduction of prepaid expenses in the amount of $105 was omitted from the March 31, 1999 financial statements. With respect to the March 31, 1999 Balance Sheet accounts the Prepaid Expense has decreased by an amount of $105 and Retained Earnings have been reduced by an amount of $105. The March 31, 1999 Postage Expense has been increased by $105. The effects of this correction on the prior period is treated as an adjustment of the opening balance of Retained Earnings, decreasing the April 1, 2000 balance by $105.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Production equipment	$ 254	$ 141	$ 113	$ 94
Computer equipment	4	-	4	4
	$ 258	$ 141	$ 117	$ 98

5. OTHER ASSETS

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Computer Conversion	$ 60	$ 12	$ 48	$ -

6. WORKING CAPITAL PAYABLE

MMA has an authorized line of working capital advances of $1,500 of which $227 was used as at March 31, 2000.

7. PENSION LIABILITY

Employees of the MMA are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, SOA's are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The MMA recorded an obligation for the year ended March 31, 1998. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for service prior to April 1, 1996, as well as any variance resulting from the calculation.

This change in accounting policy has been applied retroactively, and the prior year has been restated. This accumulated pension liability at March 31, 2000 is $163 ($91 at March 31, 1999).

MMA will continue not to be a funded employer and will not turn funds over to the Superannuation Fund to administer. Instead, MMA will deposit in this account an amount equal to the pension liability recorded at March 31, 1998, plus an amount equal to employee contributions from April 1, 1998 to date. An entry has been made to establish the pension asset but the actual transfer has not taken place as of yet.

8. SEVERANCE LIABILITY

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance at April 1, 1998 of $89 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $89.

9. THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employee received compensation in excess of $50:

Name	Position	2000 Amount	1999 Amount
Don Katz	Chief Operating Officer	$ -	$56

10. COMMITMENT

The Agency has not entered into lease agreements with the Province of Manitoba for the five locations that it operates (200 Vaughan Street, Winnipeg; 405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage la Prairie). Occupancy charges for the year ended March 31, 2000 are estimated at $109.4, whereas charges for the year ended March 31, 1999 were $109.4.

11. CONTRIBUTED EQUITY

SOAFA and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of fixed assets valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Agency is responsible to repay Special Operating Agencies Financing Authority the debt portion in the amount of $51 (being one-half of the value of the assets) and to record the balance of $51 (being one-half of the value of the assets) as Manitoba's equity in the Financing Authority as related to the Agency's operations. The debt portion has been repaid.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

INDUSTRIAL TECHNOLOGY CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2000

Industrial Technology Centre
A Special Operating Agency of Manitoba Industry, Trade and Mines

Unit 12 - 1329 Niakwa Road East
Winnipeg MB R2J 3T4

Phone: (204) 945-6000
Fax: (204) 945-1784

Toll free: 1-800-728-7933
www.itc.mb.ca

June 23, 2000

Management Report

For the year ended March 31, 2000

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to June 23, 2000.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements and that assets of ITC are properly safeguarded.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

T.F. Cornell

Trevor Cornell
Chief Operating Officer

David Olafson
Manager, Corporate Services

Scarrow & Donald

SCARROW & DONALD
CHARTERED ACCOUNTANTS
100-Five Donald Street
Winnipeg, Canada R3L 2T4
Telephone (204) 982-9800
Fax (204) 474-2886

May 12, 2000

AUDITORS' REPORT

**To the Special Operating
Agencies Financing Authority:**

We have audited the balance sheet of the Industrial Technology Centre as at March 31, 2000 and the statement of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2000 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Scarrow & Donald

Chartered Accountants

INDUSTRIAL TECHNOLOGY CENTRE

An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba

Balance Sheet

As at March 31, 2000

(In Thousands)	2000	1999
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (Note 3)	$ 671	$ 317
Accounts receivable	182	364
Prepaid expenses	22	19
	875	700
Due from Province of Manitoba (Note 5)	142	142
Capital assets (Notes 2 and 4)	407	382
	$ 1,424	$ 1,224
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 272	$ 397
Severance liability (Note 5)	168	165
	440	562
Equity		
Contributed Equity (Note 6)	62	62
Retained Earnings	922	600
	984	662
	$ 1,424	$ 1,224

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL TECHNOLOGY CENTRE

An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba

Statement of Earnings and Retained Earnings

For the year ended March 31, 2000

(In Thousands)	2000	1999
Revenue		
Province of Manitoba	$ 851	$ 887
Fee for service	2,165	1,926
Other	44	38
	3,060	2,851
Operating expenses		
Advertising and promotion	77	84
Advisory Board	6	-
Amortization	104	83
Audit and legal	8	7
Bad debts	2	17
Building maintenance and repair	80	38
Computer	51	115
Equipment rental, maintenance and repair	44	49
Fees and memberships	16	12
Heat and utilities	29	31
Insurance	18	12
Interest on long term debt	-	1
Laboratory supplies	64	86
Library operations	27	25
Loss on disposal of capital assets	9	3
Office, delivery and telephone	86	74
Professional development	84	65
Purchased services	41	37
Rent and property tax	110	108
Salaries and benefits	1,811	1,727
Travel	71	88
	2,738	2,662
Net earnings	322	189
Retained earnings at beginning of period	600	411
Retained earnings at end of period	$ 922	$ 600

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL TECHNOLOGY CENTRE

An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba

Statement of Cash Flow

For the year ended March 31, 2000

(In Thousands)	2000	1999
Cash derived from (applied to):		
Operating activities		
Net earnings	$ 322	$ 189
Items not involving cash		
Amortization	104	83
Loss on disposal of capital assets	9	3
	435	275
Changes in non-cash working capital balances		
Accounts receivable	182	(123)
Prepaid expenses	(3)	22
Accounts payable and accrued liabilities	(122)	209
	492	383
Investing activities		
Acquisition of capital assets	(138)	(116)
Financing activities		
Repayment of long term debt	-	(29)
Net increase in cash	354	238
Cash at beginning of period	317	79
Cash at end of period	$ 671	$ 317

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors. ITC also partners with the National Research Council for delivery of the "Industrial Research Assistance Program" in Manitoba.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Industry, Trade and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations and has access to a working capital loan. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Industry, Trade and Mines assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Industry, Trade and Mines defines expected public policy benefits generated from ITC's operations.

ITC is bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet its business objectives.

2. Significant Accounting Policies

Basis of reporting

The financial statements are prepared in accordance with generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost. Amortization, intended to write-off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line

3. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2000 working capital advances were nil (1999 – nil).

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2000	Net Book Value 1999
Furniture and fixtures	$ 4	$ 0	$ 4	$ 0
Office and lab equipment	414	138	276	280
Computer equipment and software	253	126	127	102
	$ 671	$ 264	$ 407	$ 382

5. Severance Pay Benefits

Effective April 1, 1998, ITC is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from ITC. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $142 was completely offset by a receivable from the Province. There are no terms of repayment of this receivable, and the amount will remain fixed at $142.

6. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

7. Commitment

The Agency has entered into a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba. The lease, expiring on March 31, 2002, requires future lease payments as follows:

2001	$ 84
2002	$ 84

8. Pension Liability

In accordance with the provisions of The Civil Service Superannuation Act, employees of ITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. ITC matches the employees' contributions to the Fund. Under this Act, ITC has no further pension liability.

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements
For the year ended March 31, 2000
(In Thousands)

9. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

11. Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, the following employees of ITC have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2000.

		2000	1999
Begin, J.	Engineer 5	$ 69	$ 65
Boskwick, B.	Eco. Dev. Consultant 3	61	n/a
Cattani, J.	Eco. Dev. Consultant 3	58	n/a
Cornell, T.	Executive Officer 1	85	85
de Graaf, P.	Eco. Dev. Consultant 3	61	59
Deley, D.	Eco. Dev. Consultant 3	61	58
Herwig, W.	Eco. Dev. Consultant 4-I	69	64
Olafson, D.	Financial Officer 5	56	53
Persad, K.	Eco. Dev. Consultant 3	61	54
Pizey, G.	Engineer 4	61	57
Pozzobon, G.	Engineer 3	55	n/a
Rempel, W.	Eco. Dev. Consultant 3	n/a	58
Sullivan, V.	Eco. Dev. Consultant 3	61	58

The Public Trustee of Manitoba
An Agency of the
Special Operating Agencies
Financing Authority
Province of Manitoba

Financial Statements
March 31, 2000

Manitoba

The Public Trustee

13th Floor Woodsworth Building
405 Broadway
Winnipeg MB R3C 3L6
CANADA

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to June 20, 2000. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Public Trustee are properly safeguarded.

The responsibility of the Provincial Auditor is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Public Trustee has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

M Anne Bolton

M. Anne Bolton, Q.C.
Public Trustee

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba,
To the Public Trustee of Manitoba, and
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of The Public Trustee of Manitoba, an Agency of the Special Operating Agencies Financing Authority - Province of Manitoba, as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Public Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

James Martin

Winnipeg, Manitoba
June 20, 2000

James M. Martin, CA
for the Provincial Auditor

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2000

ASSETS

	2000	1999
Current		
Cash	$ 45	$ 45
Accounts receivable (Note 3)	621	657
Prepaid expenses	7	4
Short-term investments with Minister of Finance (Note 17)	1,529	1,398
	2,202	2,104
Receivable from Province of Manitoba (Note 4)	622	622
Capital Assets (Note 5)	68	131
	$ 2,892	$ 2,857

LIABILITIES

	2000	1999
Current		
Accounts payable and accruals (Note 6)	$ 414	$ 383
Severance pay benefits (Note 18)	455	443
Pension liability (Note 10)	654	458
	1,109	901

EQUITY

	2000	1999
Revenue stabilization fund (Note 15)	500	500
Retained earnings	869	1,073
	$ 2,892	$ 2,857

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
Revenue		
Fees (Note 8)	$ 4,132	$ 4,194
Interest	80	73
Other	87	24
	4,299	4,291
Expenses		
Amortization of capital assets	26	40
Accommodation - Department of Government Services	220	226
Administration expenses (Note 9)	706	567
Salaries and benefits	3,314	3,269
Employer pension costs	196	173
Loss on disposal of capital assets (Note 5)	41	0
	4,503	4,275
Net Income	(204)	16
Retained earnings, beginning of year	1,073	1,057
Retained earnings, end of year	$ 869	$ 1,073

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
Cash derived from (applied to)		
Operating (Note 19)		
Net income	$ (204)	$ 16
Items not involving cash		
Amortization of capital assets	26	40
Loss on disposal of capital assets	41	0
	(137)	56
Change in		
Receivables	36	(43)
Prepaid expenses	(3)	3
Payables	31	(24)
	(73)	(8)
Investing		
Acquisition of capital assets	(4)	(20)
Financing		
Severance pay benefits	12	39
Pension liability	196	173
	208	212
Net increase (decrease) in cash	131	184
Cash and short term investments		
Beginning of year	1,443	1,259
End of year	$ 1,574	$ 1,443

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

1. Nature of organization

The Public Trustee protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis to people who are mentally incompetent, under the age of majority, or whose estates would otherwise be unadministered upon their death.

Effective April 1, 1996, the Public Trustee was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Public Trustee is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Public Trustee operations. It finances the Public Trustee through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating Agency status, assists the Public Trustee to sustain the provision of high quality service to her clients.

A Management Agreement between the Financing Authority and the Minister of Justice assigns responsibility to the Public Trustee to manage and account for Public Trustee related assets and operations on behalf of the Financing Authority.

The Public Trustee continues to be part of Manitoba Justice. The Public Trustee is a corporation sole with perpetual succession. As a corporate entity the Public Trustee functions separately from government and is capable of suing or being sued on behalf of the clients, trusts and estates which are administered by her.

The Public Trustee remains bound by relevant legislation and regulations. The Public Trustee is also bound by administrative policy except where specific exemptions have been provided for in her charter in order to meet business objectives.

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

2. Significant accounting policies

a) Basis of reporting

The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

b) Revenue recognition

i. Administration fees are charged to client accounts quarterly based on the anniversary date of the account in accordance with provisions of The Public Trustee Act. The fees revenue recognized in a year consists of all fees charged, accruals and adjustments made to accounts.

ii. Other fees are recognized as revenue when charged to an account and could be subject to adjustment on closing.

iii. Statutory fees are recognized as revenue when received.

c) Capital assets

Capital assets are recorded at cost and are amortized annually as follows:

Furnishings and equipment - 20%, diminishing balance basis

Computer hardware and software - 20%, straight-line basis, 10% in year of acquisition, software purchases less than $1 are expensed in year of acquisition

Leasehold improvements - 20%, straight-line basis

3. Accounts receivable

The accounts receivable are as follows:	2000	1999
Fees receivable	$ 629	$ 674
Allowance for doubtful accounts	(26)	(29)
	603	645
Interest receivable	5	5
Advances to client accounts	7	7
Cost recoveries	6	0
	$ 621	$ 657

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

4. Receivable from Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency in the amount of $219 and for severance entitlements earned by employees to March 31, 1998 in the amount of $403.

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2000	Net Book Value 1999
Furnishings & equipment	$ 42	$ 19	$ 23	$ 26
Computer hardware & software	60	31	29	81
Leasehold improvements	39	23	16	24
	$ 141	$ 73	$ 68	$ 131

During the year, the Agency was transitioned to a new desktop computing system which involved the replacement of PC computer equipment. Existing equipment was disposed of with a cost of $ 71 and net book value of $ 41. This writedown of equipment was made during the current fiscal year and the net loss of $ 41 is shown as a loss on disposal of capital assets.

6. Accounts payable and accruals

The accounts payable and accruals are as follows:

	2000	1999
Operating expenses payable	$ 40	$ 34
Salaries & benefits payable	65	43
Vacation entitlements accrual	282	279
GST payable to Revenue Canada	27	27
	$ 414	$ 383

7. Working capital

The Agency has an authorized line of working capital of $1,000 through SOAFA, which was unused and available at March 31, 2000.

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS

(In Thousands)

MARCH 31, 2000

8. Fees revenue

The Public Trustee charges fees for services as follows:

	2000	1999
Administration fees	$ 3,571	$ 3,549
Legal fees	284	367
Income tax fees	223	207
Inspection fees	54	71
	$ 4,132	$ 4,194

9. Other administration expenses

The other administration expenses of the Agency are as follows:

	2000	1999
Computer expenses	$ 309	$ 226
Courier charges	3	3
Desktop costs	3	0
Insurance, loss, damage	59	19
Office supplies	48	47
Other	9	8
Personnel	25	13
Photocopy	14	12
Postage	42	41
Professional fees	24	29
Publications	7	6
Public communications	9	7
Rentals, equipment	2	10
Repairs & maintenance	21	24
SAP costs	3	0
Support services - Department of Justice	26	26
Telephone	56	62
Travel	46	34
	$ 706	$ 567

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS

(In Thousands)

MARCH 31, 2000

10. Pension liability

Employees of the Public Trustee are eligible for pension benefits in accordance with the provisions of The Civil Service Superannnuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The Public Trustee has recorded this obligation effective for the year ended March 31, 1998. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

11. Commitments

The Public Trustee has an arrangement with the Province of Manitoba for rental of its facilities in the Woodsworth Building and Fletcher Building Annex in Winnipeg and its facility in the Provincial Building in Brandon. The Agency operates under an agreement for desktop computing. It is estimated that desktop computing costs will be $118 annually to 2002/2003.

12. Related party transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

13. Escheats to the Crown

Escheats to the Crown, received by the Public Trustee during the year and remitted to the Minister of Finance, amounted to $89 (1999 - $131). These amounts are not reflected in these financial statements.

14. Estates and trusts under administration

The client assets under administration at March 31, 2000 total approximately $151,000 (1999 - $151,000). The trust activities of the Public Trustee are reported in separate Estates and Trusts under Administration financial statements.

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

15. Revenue stabilization reserve

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses.

16. Public Sector Compensation Disclosure Act

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2000, the following employees received compensation in excess of $50:

Employee	Position	Amount
Darrach, Bruce	Information Technologist 3	$ 59
Derksen-Mead, Eileen	Legal Counsel 1	52
Drever, Bruce	Legal Counsel 3	83
Fergusson, John	Legal Counsel 2	70
Jachetta, Peter	Legal Counsel 3	81
Knowlton, Joanna	Legal Counsel 3	83
Kozusko, Norman	Information Technologist 4	65
Sallans, David	Management Analyst 3	65

17. Short-term investments with Minister of Finance

Short-term investments are segregated as follows:

	2000	1999
Operating funds	$ 875	$ 940
Pension liability funds	654	458
	$ 1,529	$ 1,398

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

18. Severance pay benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of services and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $403 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $403.

19. Cash flow statement – interest received

	2000	1999
Interest received	$ 80	$ 73

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating
Agencies Financing Authority
Province of Manitoba

Financial Statements

March 31, 2000

MANAGEMENTS REPORT

For the year ended March 31, 2000

The accompanying financial statements of the Office of the Fire Commissioner are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. In the management's opinion, the financial statements have been properly prepared within the reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 31, 2000.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Office of the Fire Commissioner are properly safeguarded.

The responsibility of the Auditor is to express an opinion of whether the financial statements of the Office of the Fire Commissioner are fairly presented in accordance with generally accepted accounting principles. The Auditors Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Douglas Popowich
Fire Commissioner

Ken Nero
Comptroller

Hutchings May & Co.
Chartered Accountants

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AUDITORS' REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY OFFICE OF THE FIRE COMMISSIONER

We have audited the balance sheet of the Office of the Fire Commissioner, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000, and the statements of earnings, capital and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and the cash flows for the year then ended in accordance with generally accepted accounting principles.

The budget information contained in these financial statements is provided as additional information and has not been compiled or examined by us. Accordingly, we do not express an opinion or any form of assurance on them. The summaries of significant assumptions and accounting policies for presentation of prospective financial statements have not been included in these financial statements. If the omitted summaries were included in the budgeted information, they might influence the users' conclusions about the Agency's budgeted information. Accordingly, the budgeted information is not designed for those who are not informed about such matters.

Hutchings May & Co.
Chartered Accountants

Winnipeg, Manitoba
May 10, 2000

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
BALANCE SHEET

As at March 31, 2000, with comparative figures for 1999

	2000 (000's)	1999 (000's)
ASSETS		
Current assets		
Cash	$ 31	$ 2
Short term investments (note 3)	2,780	3,515
Accounts receivable (note 4)	1,590	711
Accrued interest	12	14
Inventory	35	46
Prepaid expenses	30	26
	4,478	4,314
Long term investments (note 5)	1,500	1,500
Pension assets (note 6)	453	349
Capital assets (note 7)	6,084	6,028
	$ 12,515	$ 12,191
LIABILITIES AND CAPITAL		
Current liabilities		
Accounts payable	$ 399	$ 182
Accrued liabilities	340	290
Deferred revenue	22	76
	760	548
Severance pay benefits (note 8)	310	286
Employee pension liability (note 9)	462	317
	1,533	1,151
Capital (note 10)	10,982	11,040
Commitments and contingencies (note 11)		
Public sector compensation (note 13)		
	$ 12,515	$ 12,191

See accompanying notes to financial statements.

Approved on behalf of the Special Operating Agency Advisory Board:

Chairperson

Fire Commissioner

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
STATEMENT OF EARNINGS

Year ended March 31, 2000, with comparative figures for 1999

	2000 (000's)	1999 (000's)	Variance (000's)	Budget (000's)	Budget Variance (000's)
REVENUES					
Levy	$ 3,130	$ 3,126	$ 4	$ 3,263	$ (133)
Permits and plan review	1,161	1,148	13	736	425
Tuition and contract revenue	788	532	256	708	79
Interest	215	207	8	191	24
Inspections	44	-	44	-	44
Conference	90	59	30	51	39
Nero & Ashcan sales	-	1	(1)	-	-
Book sales	2	1	2	2	-
Rent	4	6	(2)	2	2
Other revenue	64	20	44	7	57
	$ 5,498	$ 5,100	$ 397	$ 4,960	$ 537

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
STATEMENT OF EARNINGS (continued)

Year ended March 31, 2000, with comparative figures for 1999

	2000 (000's)	1999 (000's)	Variance (000's)	Budget (000's)	Budget Variance (000's)
EXPENSES					
Salaries and benefits	$ 2,665	$ 2,426	$ 239	$ 2,523	$ (142)
Amortization	490	398	91	428	(62)
Vehicle	251	234	17	244	(7)
Travel	299	233	67	249	(50)
Repairs and maintenance	252	174	78	220	(32)
Phone	140	159	(20)	155	16
Mutual aid	125	125	(1)	184	59
Rent	133	110	23	117	(16)
Desk top management	169	87	83	171	1
Grant in lieu of taxes	93	99	(6)	101	8
Labour services	81	90	(9)	52	(29)
Supplies	227	185	42	148	(79)
Public education material	83	63	20	61	(22)
Marketing	31	35	(4)	35	5
Utilities	52	58	(6)	49	(3)
Insurance	57	48	9	34	(23)
Professional services	171	168	3	171	-
Postal and courier	41	31	10	27	(14)
Professional development	13	18	(5)	20	7
Land lease	10	10	-	10	-
Publications	24	26	(2)	18	(6)
Building Standards Board	-	1	(1)	3	3
SOA Board	1	1	-	1	1
Grant	25	250	(225)	-	(25)
Other	124	116	8	99	(25)
	5,557	5,145	411	5,120	(435)
Net earnings (loss) from operations	$ (59)	$ (45)	$ (14)	$ (160)	$ 102

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
STATEMENT OF CAPITAL

Year ended March 31, 2000, with comparative figures for 1999

		2000 (000's)		1999 (000's)
Contributed capital	$	11,279	$	11,279
Retained earnings (deficit), beginning of year		(238)		(194)
Net earnings (loss) from operations		(59)		(45)
Capital, end of year	$	10,982	$	11,040

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
STATEMENT OF CASH FLOWS

Year ended March 31, 2000, with comparative figures for 1999

		2000 (000's)		1999 (000's)
Operating activities				
Net earnings (loss) for the year	$	(59)	$	(45)
Amortization, pension, and severance expense		659		516
Net change in non-cash working capital balances		(656)		423
Cash generated from (used in) operations		(56)		894
Investing activities				
Capital asset additions		(546)		(263)
Financing activities				
Funds transferred to pension	$	(103)	$	(350)
Net increase (decrease) in cash		(705)		281
Cash and investments, beginning of year		5,016		4,735
Cash and investments, end of year	$	4,311	$	5,016

See accompanying notes to financial statements.

		2000 (000's)		1999 (000's)
Cash and investments are represented by				
Cash	$	31	$	1
Investments		2,780		3,515
Long term investments		1,500		1,500
	$	4,311	$	5,016
Included in operating activities above are interest collections as follows:	$	217	$	207

1. NATURE OF THE OFFICE OF THE FIRE COMMISSIONER

Effective April 1, 1996, the Office of the Fire Commissioner was designated as a Special Operating Agency (SOA) under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 1996, a Transfer Agreement executed between the Government of Manitoba (Labour) and the Financing Authority, a corporation under The Special Operating Agencies Financing Authority (SOAFA) Act, transferred all assets in the Fires Prevention Fund valued at $11,809 to the Financing Authority.

A Management Agreement executed between the Financing Authority and the Government of Manitoba (Labour) assigned responsibility to the Office of the Fire Commissioner to manage and account for the related assets and operations on behalf of the Financing Authority. The Office itself does not hold title to any assets. Effective April 1, 1996, the Financing Authority established a fund account referred to as the Fires Prevention Fund to hold these assets.

The Office of the Fire Commissioner will continue to be part of the Department of Labour and ultimately under the policy direction of the Minister of Labour.

The Office of the Fire Commissioner will remain bound by relevant legislation and regulations. It will also remain bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Office of the Fire Commissioner is economically dependent on the Province of Manitoba as it derives most of its revenues from the Fires Prevention Levy.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements are presented in accordance with generally accepted accounting principles.

b) Accounting estimates and assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

c) Inventory

Inventory is valued at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Capital assets

Buildings, fire engines, other vehicles and air compressors transferred to the SOAFA from the Government of Manitoba on April 1, 1996 were valued at the lower of their amortized cost or estimated market value. All other assets transferred from the Government of Manitoba on April 1, 1996 were valued at their market value.

The Office provides for amortization of its capital assets on the following basis:

Buildings	40 years straight line
Practical training site	20 years straight line
Equipment	20% declining balance
Fire engines	30% declining balance
Other vehicles	30% declining balance
Air compressors	20% declining balance
Furniture	20% declining balance
Computer equipment and software	5 years straight line

The half-rate rule is applied to computer equipment and software additions during the year.

e) Revenue recognition

The Fires Prevention Act imposes a special assessment on licensed insurers equal to a set percentage of total property insurance premiums.

The Office of the Fire Commissioner collects this levy based on the value of premiums and assessments in respect to property insurance in a calendar year. Levy revenue with respect to the 1999 calendar year will be recognized as revenue in the fiscal year ending March 31, 2000. The levy rate is set at 1.25%.

All other revenue is recognized when earned.

3. SHORT TERM INVESTMENTS

The Investment Balance represents funds on deposit with the Department of Finance. The funds are invested in short term notes with maturities not in excess of 365 days.

4. ACCOUNTS RECEIVABLE

The accounts receivable balance includes $709,786 due from the Province of Manitoba which represents $248 in estimated unpaid vacation pay and overtime as at March 31, 1996 and $282 representing the estimated liability for severance pay (see note 8) as at April 1, 1998 and $180 related to emergency medical training.

The accounts receivable balance is made up of the following:

		2000 (000's)		1999 (000's)
Insurance Branch of Department of Consumer & Corporate Affairs	$	871	$	63
Province of Manitoba		620		530
Other		98		119
	$	1,589	$	711

5. LONG TERM INVESTMENTS

The balance as at March 31, 2000 is comprised of one investment on deposit with the Department of Finance of the Province of Manitoba under the following investment terms:

Amount (000's)	Rate	Maturity
1,500	6.43%	September 4, 2001

6. PENSION ASSETS

The Office of the Fire Commissioner set aside funds equal to the pension liability as at March 31, 1998 plus an amount equal to all subsequent employee pension contributions. At the end of each fiscal year funds will be transferred to the account in the amount necessary to ensure that the asset account at least equals the pension liability.

These funds are on deposit with the Department of Finance and have been invested in short term notes.

7. CAPITAL ASSETS

	Opening Balance (000's)	Additions	Disposals	Closing Balance (000's)
Buildings	$ 4,043	$ -	$ -	$ 4,043
Training site	1,759	8	-	1,767
Equipment	676	181	-	857
Fire engines	201	258	-	459
Other vehicles	201	-	-	201
Air compressors	145	34	-	179
Furniture	66	4	-	70
Computers	50	62	-	112
Total cost	$ 7,141	$ 547	$ -	$ 7,688

	Opening Accumulated Amortization (000's)	Disposition	Current Year's Amortization	Accumulated Amortization (000's)
Building	$ 352	$ -	$ 119	$ 472
Training site	105	-	88	194
Equipment	292	-	115	407
Fire engines	130	-	99	229
Other vehicles	122	-	24	145
Air compressors	71	-	22	93
Furniture	32	-	8	40
Computers	8	-	16	24
Total amortization	$ 1,112	$ -	$ 491	$ 1,604
Net capital assets	$ 6,028			$ 6,084

8. SEVERANCE LIABILITY

Effective April 1, 1998, The Office of the Fire Commissioner is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from The Office of the Fire Commissioner. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by The Office of the Fire Commissioner's employees to March 31, 1998. The severance pay liability balance as at April 1, 1998 of $282 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $282.

9. EMPLOYEE PENSION LIABILITY

Employees of the Office of the Fire Commissioner are eligible for pensions in accordance with the provisions of the Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The methodology for calculating the liability has been determined in conjunction with the Province. The Province accepts responsibility for pension benefits earned prior to the date of designation as an SOA, as well as for any variance resulting from the calculation.

10. CONTRIBUTED CAPITAL

In consideration of the transfer of said assets effective April 1, 1996, the SOAFA shall:

a) not incur or repay to the Government of Manitoba any debt relative to the assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance; and

b) record the balance of $11,038 (being the balance of the net assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance) as Manitoba's equity in the Financing Authority as related to the Agency's operations.

Due to a change in accounting policy, capital assets are amortized over 40 years as opposed to 30 years. This has resulted in a revaluation of buildings as at April 1, 1996. The value of buildings and contributed equity has increased $241 as at April 1, 1996.

11. COMMITMENTS AND CONTINGENCIES

The Office of the Fire Commissioner as tenant has entered into a Lease Agreement with the City of Brandon as Landlord for the land upon which the practical training facility has been constructed. The term of the Lease is five (5) years commencing June 11, 1997 and expiring May 31, 2002 with four (4) five-year renewal options. Minimum annual rent is $10 due in equal monthly instalments, plus all operating costs with respect to the subject land.

The Office of the Fire Commissioner has entered into 26 vehicle lease agreements which give rise to commitments as follows:

		March 31 (000's)
2001	$	148
2002		147
2003		117
2004		83
2005		19
	$	514

At the end of each lease the Office is obligated to pay any shortfall between the net proceeds on vehicle disposition and the agreed residual value.

11. COMMITMENTS AND CONTINGENCIES (continued)

The Office of the Fire Commissioner has been named in three litigations. A fire at the Three Bears Daycare center located in Pinefalls, Manitoba resulted in the death of a child in the care of the daycare. The Province of Manitoba is being sued by the United Church of Canada, owners of the church in which the daycare was located. The Office of the Fire Commissioner has also been named in an action by the Insurer of the St. Anne Hospital in which a fire occurred as a result of inadequate clearance of an emergency generator exhaust pipe. Lastly the Office of the Fire Commissioner has been named in an action by the owner and operator of a residential care facility in Newdale. The facilities license was revoked in response to a fire prevention inspection conducted by The Office of the Fire Commissioner. The outcome of these actions is undeterminable at this time and no provision has been made for the contingent loss. The Office of the Fire Commissioner has liability insurance, with a $5,000 deductible, which we anticipate would cover any adverse settlement should this be the case.

The Office of the Fire Commissioner has been using computer hardware in the desk top management environment since April 1998. The financial statements do not reflect any costs associated with this hardware.

12. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

13. PUBLIC SECTOR COMPENSATION

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended March 31, 2000, the following employees received compensation of wages and taxable benefits of $50,000 or more (*compensation did not exceed $50,000):

Name	Position	2000 (000's)	1999 (000's)
D.M. Popowich	Fire Commissioner	$ 83	$ 69
K. Swan	Fire Investigator	62	63
C.R. Sanderson	Deputy Fire Commissioner	65	60
D.B. Monkman	Fire Investigator	65	56
R. Gillis	Fire Investigator	68	54
K.D. Hykaway	Fire & Building Standards Officer	*	53
G. Kurdydyk	Fire Investigator	52	52
A.J. Campbell	Manager Codes & Standards	53	52
C. Hogarth	Fire Investigator	53	50
D.R. Beachman	Fire & Building Standards Officer	51	*
M.C. Bedford	Emergency Services Officer	54	*
B.D. Bryan	Medical Programs Manager	52	*
K. Carmichael	Emergency Services Officer	56	*
R.C. Denslow	Emergency Services Officer	51	*
R.A. Negrich	Emergency Services Officer	51	*
K.J. Nero	Comptroller	65	*

Financial Statements of

FOOD DEVELOPMENT CENTRE

Year ended March 31, 2000

APPENDIX I. AUDITED FINANCIAL STATEMENTS

Responsibility for Financial Reporting

The Agency is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Agency's financial statements have been audited by Chapman and Verwey, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free access to the Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

Dave Donaghy
Acting General Manager

May 18, 2000

Pat Scott. CMA
Controller

May 18, 2000

Chapman
& Verwey
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of Food Development Centre, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of operations and deficit and changes in cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chapman & Verwey

Chartered Accountants

Portage la Prairie, Manitoba

May 18, 2000

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Balance Sheet
(In Thousands)

March 31, 2000, with comparative figures for 1999

Assets

	2000	1999
Current assets:		
Cash	$ 27	$ 2
Accounts receivable (note 3)	194	169
Receivable from the Province of Manitoba	321	–
Prepaid expenses	42	56
	584	227
Capital assets (note 4):		
Cost	678	478
Accumulated amortization	222	137
	456	341
Other assets (note 5)	5	8
Severance pay receivable from Province (note 14)	83	83
	$ 1,128	$ 659

Liabilities and Deficiency in Assets

	2000	1999
Current liabilities:		
Working capital payable (note 6)	$ 729	$ 464
Accounts payable and accrued liabilities	114	83
Accrued vacation pay (note 7)	111	94
Severance pay liability	86	83
Unearned revenue	47	4
Current portion of capital lease obligation (note 13)	30	27
	1,117	755
Capital lease obligation (note 13)	11	40
Deficit	–	(136)
Commitment (note 10)		
Contingency (note 12)		
	$ 1,128	$ 659

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Statement of Operations and Deficit
(In Thousands)

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Revenue:		
Contract - Province of Manitoba	$ 912	$ 912
Contract - National Research Council	57	27
Fee for service	642	559
Consulting and training services	106	126
Interest and other income	58	24
	1,775	1,648
Direct operating expenses:		
Lab supplies	103	85
Purchased services	105	117
Travel	83	72
Salaries	1,003	905
Postage, courier and telephone	58	62
Printing and stationery	19	19
Marketing	54	52
Library	45	39
	1,470	1,351
Administrative expenses	511	439
Loss from operations	(206)	(142)
Other income (expense):		
Write down of other assets	(5)	–
Gain on sale of capital assets	27	14
Deficit funding - Province of Manitoba	321	–
	343	14
Net income (loss)	137	(128)
Deficit, beginning of year (note 8)	(137)	(9)
Deficit, end of year	$ –	$ (137)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Statement of Changes in Cash Flows
(In Thousands)

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	$ 137	$ (128)
Items not involving cash:		
Amortization	86	75
Gain on sale of capital assets	(27)	(14)
Write down of other assets	5	–
	201	(67)
Change in non-cash working capital balances:		
Accounts receivable	(25)	(26)
Receivable from the Province of Manitoba	(321)	–
Prepaid expenses	14	(11)
Accounts payable and accrued liabilities	30	14
Accrued vacation pay	17	18
Severance pay liability	4	–
Unearned revenue	42	(5)
	(239)	(10)
	(38)	(77)
Financing activities:		
(Decrease) increase in capital lease obligation	(27)	67
Investing activities:		
Other asset purchases	(2)	(3)
Capital asset purchases	(200)	(210)
Proceeds from disposition of capital assets	27	14
	(175)	(199)
Net decrease in cash position	(240)	(209)
Cash position, beginning of year	(462)	(253)
Cash position, end of year	$ (702)	$ (462)

Cash position is comprised of the following amounts:

	2000	1999
Cash	$ 27	$ 2
Working capital payable	(729)	(464)
	$ (702)	$ (462)

See accompanying notes to financial statements.

---

1. Nature of organization:

Established in 1977, as part of the Manitoba Research Council, the Food Development Centre serves the agri-food Industry by providing a wide range of services in the food, feed, and beverage industries. Food Development Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Food Development Centre was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement with the Financing Authority assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of the Financing Authority.

The Food Development Centre is a part of the Department of Agriculture and Food under the general direction of a General Manager/Chief Executive Officer, and ultimately the policy direction of the Deputy Minister and Minister.

The Food Development Centre remains bound by relevant legislation and regulations.

The Food Development Centre is economically dependent on the Province of Manitoba, as it derives a significant portion of its revenue from the Province.

2. Significant accounting policies:

(a) Management estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Basis of reporting:

The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

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2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets assumed as part of the conversion to a Special Operating Agency, April 1, 1996, are stated at their estimated fair value as determined by the Province. Capital assets acquired subsequently are stated at cost. Amortization is provided using the following method and annual rates:

Equipment and sign	20% declining balance
Computer equipment	20% straight line
Leased equipment	20% declining balance

(d) Other assets:

Research and development costs are expensed as incurred with the exception of the development costs required to develop the "Salmonella Detection Kit." These costs have been capitalized and will be matched against the anticipated revenue.

(e) Revenue recognition:

Fee for service revenue is recognized on percentage of completion basis.

All funds received and due from the Province of Manitoba as at March 31, 2000 have been recognized as income in the current year.

3. Accounts receivable:

The accounts receivable balance is comprised of the following amounts:

	2000	1999
Trade accounts receivable	$ 229	$ 160
Allowance for doubtful accounts	(45)	–
Work in progress	10	9
	$ 194	$ 169

4. Capital assets:

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Equipment and sign	$ 475	$ 142	$ 333	$ 203
Computer hardware and software	120	57	63	63
Equipment under capital lease	83	23	60	75
	$ 678	$ 222	$ 456	$ 341

5. **Other assets:**

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Capitalized development costs	$ 5	$ –	$ 5	$ 8
	$ 5	$ –	$ 5	$ 8

6. **Working capital payable:**

The agency has an authorized line of working capital of $1,000 of which $729 was used as at March 31, 2000.

7. **Accrued vacation pay:**

The employees of the Food Development Centre are entitled to vacation pay in the current year, based on the prior year's employment. A provision for this liability has been recorded in the financial statements. The Food Development Centre has also accrued vacation pay for services rendered prior to the Agency receiving Special Operating Agency status for certain employees.

8. **Deficiency in assets:**

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Food Development Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

9. **Public Sector Compensation Disclosure:**

Compensation to employees in excess of $50 include the following individuals:

	2000	1999
Offet, Gerald - General Manager / C.E.O.	$ 80	$ 79
Utioh, Alphonsus - Manager Product and Process Development	68	61
Scott, Pat - Controller	54	56

---

10. Commitment:

The Food Development Centre is obligated to make payments to Workers Compensation for an employee currently on disability. The total financial impact on the Centre is not determinable since the length of time the payments will be required is unknown.

11. Related party transactions:

The Food Development Centre has entered into an agreement with Norwest Soil Research Ltd. whereby the Analytical Services Division of the Centre receives marketing and management assistance. In return for this assistance, Norwest Soil Research Ltd. will have the opportunity to purchase the business assets of the Analytical Services Division on or before March 31, 2000. As at May 18, 2000, the date of our audit report, negotiations were still in progress.

Specific related party transactions occurring in the current year include:

Revenue - Fee for service	$	24
Expenses - Purchased services		52
Accounts receivable, end of year		10
Accounts payable and accrued liabilities, end of year		13

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Contingency:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

13. Capital lease obligation:

Year ending March 31:		
2001	$	32
2002		12
Total minimum lease payments		44
Less amount representing interest at 10.135%		3
Present value of net minimum capital lease payments		41
Current portion of obligations under capital lease		30
	$	11

14. Severance pay benefits:

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $83 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $83.

15. Financial instrument:

Credit risk:

The company is exposed to credit risk on the accounts receivable from its customers. The company does not have a significant exposure to any individual customer. An allowance for doubtful accounts has been established by the company, based upon factors surrounding the credit risk of specific customers, historical trends and other information.

FOOD DEVELOPMENT CENTRE

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Administrative Expenses
(In Thousands)

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999
Advisory committee fees	$ 1	$ 1
Accreditation and licensing fees	8	26
Amortization	86	75
Professional fees	13	6
Bad debt expense	62	6
Occupancy expenses	192	181
Computer expenses	21	15
Equipment operating costs	26	49
Fees and memberships	9	5
Repairs and maintenance	18	16
Insurance	24	24
Research and development	–	1
Interest	15	14
Interest on capital lease	5	5
Staff training	25	13
Staff relocation	6	2
	$ 511	$ 439

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The Property Registry
An Agency of the Special
Operating Agencies
Financing Authority
Province of Manitoba

Financial Statements
March 31, 2000

Management's report

To the Special Operating Agencies Financing Authority

The accompanying financial statements and the information in the Annual Report are the responsibility of the management of The Property Registry. The financial statements have been prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best estimates and judgements.

In support of its responsibility, management has developed and maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, financial reporting is reliable, and that assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, if required, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

The financial statements have been audited by our external auditors, Grant Thornton, who report to the Special Operating Agencies Financing Authority.

On behalf of Management,

Richard M. Wilson, B.A., LL.B.
Registrar General and
Chief Operating Officer

Marcel V. Joaquin, Jr., CMA
Director
Finance and Systems

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Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of The Property Registry, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
June 2, 2000

Chartered Accountants

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The Property Registry
An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Balance Sheet

(In Thousands)

March 31	2000	1999
Assets		
Current		
Cash and short term investments	$ 4,335	$ 3,760
Customer deposits	1,122	923
Pension investment account	916	605
Accounts receivable (Note 3)	98	260
Prepaid expenses	49	57
	6,520	5,605
Due from Province of Manitoba (Note 4)	1,587	1,587
Capital assets, net of accumulated amortization (Notes 2 and 5)	264	185
	$ 8,371	$ 7,377
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 911	$ 982
Deferred revenue	1,122	926
Land titles assurance fund (Note 6)	66	43
Severance payable (Note 7)	214	254
	2,313	2,205
Accrued pension costs (Note 7)	1,198	605
Long-term severance payable (Note 7)	867	808
	4,378	3,618
Equity		
Retained earnings	3,993	3,759
	$ 8,371	$ 7,377

Commitments (Note 8)

See accompanying notes to the financial statements

The Property Registry
An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Statements of Earnings and Retained Earnings

(In Thousands)

Year Ended March 31	2000	1999
Revenues		
Land transfer tax (Note 9)	**$ 12,071**	$ 11,513
Fee revenue - Land Titles	**8,312**	8,576
Fee revenue - Personal Property Registry	**3,772**	3,781
Cost recoveries (Note 2)	**809**	641
Interest income	**183**	179
	25,147	24,690
Less: tax revenues transferred to Province	**(12,071)**	(11,513)
	13,076	13,177
Expenses		
Salaries and employee benefits	**7,548**	6,748
Operating expenses (Schedule 1)	**2,414**	2,051
Amortization	**80**	94
Loss on disposal of capital assets		75
	10,042	8,968
Net earnings	**$ 3,034**	$ 4,209

Retained earnings, beginning of year	**$ 3,759**	$ 3,100
Net earnings	**3,034**	4,209
Net earnings paid to the Province of Manitoba	**(2,800)**	(3,550)
Retained earnings, end of year	**$ 3,993**	$ 3,759

See accompanying notes to the financial statements.

The Property Registry
An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Statement of Cash Flows

(In Thousands)

Year Ended March 31	2000	1999
Increase (decrease) in cash and cash equivalents		
Cash flows from (used in) operating activities		
Net earnings	$ 3,034	$ 4,209
Amortization	80	94
Loss on disposal of capital assets		75
	3,114	4,378
Changes in non-cash operating working capital		
Pension investment account	(311)	(605)
Customer deposits	(199)	17
Accounts receivable	162	(107)
Prepaid expenses	8	(1)
Accounts payable and accrued liabilities	(71)	116
Deferred revenue	196	(15)
Accrued pension costs	593	311
Land titles assurance fund deposits	23	(24)
Severance payable – current portion	(40)	(27)
Severance payable – long term portion	59	47
	3,534	4,090
Cash flows from (used in) investing activities		
Purchase of capital assets	(159)	(188)
Cash flows from (used in) financing activities		
Net earnings paid to the Province of Manitoba	(2,800)	(3,550)
Net increase in cash and cash equivalents	575	352
Cash and cash equivalents		
Beginning of year	3,760	3,408
End of year	$ 4,335	$ 3,760

See accompanying notes to the financial statements.

The Property Registry
An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Notes to the Financial Statements

(In Thousands)
March 31, 2000

1. Nature of organization

Effective April 1, 1997, the Lieutenant Governor in Council designated The Property Registry as a Special Operating Agency under The Special Operating Agencies Financing Authority Act. The order also directed the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs to enter into a management agreement with respect to The Property Registry. The Property Registry was established to operate the Land Titles and Personal Property Registry offices on a self-sustaining financial basis while providing a standard of service that will meet the needs of its clients.

The Property Registry continues to be a part of the Department of Consumer and Corporate Affairs under the general direction of the Deputy Minister of Consumer and Corporate Affairs, who is also Chairperson of The Property Registry's Advisory Board. The Property Registry remains bound by relevant legislation, regulation and administrative policy as specified in its operating charter.

The Property Registry's financial contribution to the Province of Manitoba is included in the Manitoba Estimates of Revenue - Crown Corporations/Entities.

2. Summary of significant accounting policies

Basis of reporting

The financial statements have been prepared in accordance with generally accepted accounting principles applied on an accrual basis.

Capital assets

Capital assets are recorded at cost and amortization is computed using the straight-line method based on remaining estimated useful lives, after allowance for salvage value, where applicable. Capital assets transferred to The Property Registry at April 1, 1997 each have estimated remaining useful lives of up to five years and were valued at their remaining unamortized capital cost at that date, which represents the acquisition cost for The Property Registry. Therefore, the effective rate of amortization for those older capital assets may exceed the annual rates noted below:

Computer system	20% (10% in year of acquisition)
Office equipment	20%
Leasehold improvements	20%

The Property Registry
An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Notes to the Financial Statements

(In Thousands)
March 31, 2000

2. Summary of significant accounting policies - continued

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Cost recoveries and fee waiver

Included in revenues are recoveries of costs for Land Titles Office services provided to other provincial government offices where no statutory provision precludes cost recovery. No similar recoveries of costs are currently collected for services provided by the Personal Property Registry.

3. Accounts receivable

The following items are included in accounts receivable:

	2000	1999
Trade receivable	$ 76	$ 81
Receivable from government and departments	22	179
	$ 98	$ 260

4. Due from Province of Manitoba

This receivable represents the vacation entitlements earned prior to the creation of the Special Operating Agency, and severance costs earned by staff to March 31, 1998. These amounts are expected to remain fixed. The Property Registry is responsible for changes in the vacation liability from April 1, 1997, and the severance liability from April 1, 1998.

The following items are included in due from Province of Manitoba:

	2000	1999
Funding for vacation payable as at April 1, 1997	$ 546	$ 546
Funding for severance payable as at April 1, 1998	1,041	1,041
	$ 1,587	$ 1,587

The Property Registry
An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Notes to the Financial Statements

(In Thousands)
March 31, 2000

5. Capital assets

			2000	1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer system	$ 43	$ 17	**$ 26**	$ 25
Office equipment	293	103	**190**	96
Leasehold improvements	80	32	**48**	64
	$ 416	$ 152	**$ 264**	$ 185

6. Land titles assurance fund

Claims for loss as provided for in The Real Property Act are paid from this fund. The Agency's Land Titles Branch is responsible for the collection of deposits and the defense against claims on this fund. Claims in excess of the fund balance are paid out of the Consolidated Revenue Fund.

7. Employee pension and severance pay benefits

Employees of The Property Registry are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA which is April 1, 1997. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

	2000	1999
Present value of accumulated pension obligations as at March 31	**$ 1,198**	$ 605

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly the opening severance pay liability balance as at April 1, 1998 of $1,041 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $1,041.

8. Commitments

The Agency has entered into a Memorandum of Understanding with Manitoba Government Services (MGS) to lease its premises. The accommodation charges are established annually by MGS, and are based on its approved budget.

The Agency has also entered into agreements to lease equipment. These agreements carry various terms and conditions.

The estimated minimum lease payments for the premises and equipment in aggregate for each of the next five years are as follows:

	Premises	Equipment	Total
2001	$ 730	$ 107	$ 837
2002	745	109	854
2003	760	111	871
2004	775	114	889
2005	791	116	907
	$ 3,801	$ 557	$ 4,358

9. Land transfer tax

Land transfer tax is administered and collected by The Property Registry. Tax collected less refunds issued is remitted to the Consolidated Revenue Fund of the Province of Manitoba. Adjustments and refunds of land transfer tax are paid out of Department of Finance under the advice of the Registrar General.

The Property Registry

Schedule 1

An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba

Operating Expenses

(In Thousands)

Year Ended March 31	2000	1999
Computer processing	$ 369	$ 298
Department services	99	122
Desktop services	229	28
Equipment lease	105	113
Interest and bank charges	9	8
Occupancy costs	731	747
Office supplies and printing	173	154
Postage and delivery	171	170
Professional fees	42	29
Publications and subscriptions	28	25
Records preservation project	147	
Repairs and maintenance	79	69
Special surveys	5	47
Sundry	4	6
Survey remonumentation program	91	87
Telephone	73	75
Training and staff development	15	14
Travel	44	59
	$ 2,414	$ 2,051

The Property Registry Schedule 2
An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba
Public Sector Compensation Disclosure
(In Thousands)
Year Ended March 31, 2000

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50,000 per annum. This information is as follows:

Employee	Position	2000	1999
Cavers, H. G.	Admin. Officer 3	**$ 55**	$ 51
Crockatt, D.	Professional Officer 8	**61**	59
Davidson, R. E.	Legal Counsel 2	**68**	58
Effler, B. C.	Sr. Legal Officer 2	**83**	78
Fraser, G. R. S.	Sr. Manager 1	**74**	71
Grewal, J. S.	Legal Counsel 3	**80**	77
Joaquin, M.	Professional Officer 6	**56**	54
Johnston, B. G.	Legal Counsel 1	**55**	
Kushniruk, J.	Legal Counsel 3	**80**	77
Lillie, G.	Legal Counsel 2	**60**	
Lund, G. A	Professional Officer 8	**62**	59
Patel, V.M	Legal Counsel 3		77
Schoen, F. N.	Legal Counsel 3	**80**	77
Sims, E.	Legal Counsel 2	**66**	61
Wilson, R. M.	Sr. Legal Officer 3	**86**	83

MANITOBA SECURITIES COMMISSION
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

FINANCIAL STATEMENTS

March 31, 2000

Sill & Company
Chartered Accountants

Manitoba

Consumer and Corporate Affairs

The Manitoba Securities Commission

1130 - 405 Broadway
Winnipeg MB R3C 3L6
CANADA

PH: (204) 945-2548
FAX: (204) 945-0330

RESPONSIBILITY FOR FINANCIAL REPORTING

The Commission's management is responsible for preparing the financial statements and other financial information in the Annual Report. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Commission's financial statements have been audited by Sill & Company, independent external auditors.

The Commission maintains accounting and internal control systems to provide reasonable assurance that its financial information is reliable and accurate and that its assets are adequately protected.

The Commission's management meets regularly to review the financial statements and accounting practices. The auditors have free and full access to management, if required to discuss results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

On behalf of management,

Donald Murray
Chairman and C.E.O.

John Hudohmet
Controller

MANITOBA SECURITIES COMMISSION

AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

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Sill & Company
Chartered Accountants

AUDITORS' REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY:

We have audited the balance sheet of **MANITOBA SECURITIES COMMISSION, AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY, PROVINCE OF MANITOBA** as at **MARCH 31, 2000** and the statements of income, retained earnings, reserve funds and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at **MARCH 31, 2000** and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Sill + Company

CHARTERED ACCOUNTANTS

Winnipeg, Manitoba
June 7, 2000

Suite 600, 175 Hargrave Street
Winnipeg, Manitoba R3C 3R8
Tel: (204) 944-8720
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Thomas Sill C.A.
(1927-1986) Founder

Partners
W.D. Bodman C.A.
K.W. Grower F.C.A.
S.G. Andrew C.A.
F.A. Wiebe C.A.
N. Fry C.A.
W.W. Findlater C.A.
R.J. Martens C.A.
T.R. McKim F.C.A.
D.L. Anderson C.A.
A.A. DeVliegere C.A.
R.W. Westfall C.A.
G.J. Meger C.A.
M.J. Millis C.A.
D.J. Einarson C.A.
R.A. Lawrence C.A.

Consultants
N. Fiske F.C.A.
R. Filuk F.C.A.
K.M. McLean C.A.
M.A. Malazdrewicz F.C.A.

MANITOBA SECURITIES COMMISSION
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
March 31, 2000

ASSETS	
CURRENT	
Cash and short-term deposits (Note 3)	$ 1,479
Accounts receivable (Note 4)	6
Prepaid expenses	21
	1,506
RESTRICTED SHORT-TERM DEPOSITS (Note 5)	512
RECEIVABLE FROM THE PROVINCE OF MANITOBA (Note 6)	254
CAPITAL ASSETS (Notes 2 and 7)	741
	3,013
LIABILITIES	
CURRENT	
Accrued liabilities	25
Accrued vacation entitlements (Note 8)	145
Accrued salaries and benefits	32
Current portion of long-term debt (Note 9)	598
	800
SEVERANCE PAY LIABILITY (Note 10)	152
PENSION LIABILITY (Note 11)	75
	1,027
COMMITMENTS (Note 13)	
EQUITY	
RESERVE FUND (Note 12)	435
RETAINED EARNINGS	1,551
	1,986
	$ 3,013

MANITOBA SECURITIES COMMISSION
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF INCOME
(in thousands)
Year Ended March 31, 2000

REVENUE	
Fees	$ 5,156
Interest	43
Miscellaneous	1
	5,200
EXPENSES	
Salaries and benefits	1,705
Operating expenses	622
Amortization - capital assets (Note 2)	146
Interest	41
	2,514
NET EARNINGS FOR YEAR	$ 2,686

MANITOBA SECURITIES COMMISSION
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF RETAINED EARNINGS
(in thousands)
Year Ended March 31, 2000

RETAINED EARNINGS, BEGINNING OF YEAR	$
Net earnings for year	2,686
Disposition of surplus operating funds	(700)
Allocation to Reserve Fund	(435)
RETAINED EARNINGS, END OF YEAR	$ 1,551

STATEMENT OF RESERVE FUNDS
(in thousands)
Year Ended March 31, 2000

BALANCE, BEGINNING OF YEAR	$
Allocation from retained earnings	435
BALANCE, END OF YEAR	$ 435

MANITOBA SECURITIES COMMISSION
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOWS
(in thousands)
Year Ended March 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES	
Net earnings for year	$ 2,686
Adjustment for	
Amortization - capital assets	146
	2,832
Changes in non-cash working capital	
Accounts Receivable	(6)
Receivable from the Province of Manitoba	(254)
Prepaid expenses	(21)
Accrued liabilities	25
Accrued vacation entitlements	145
Accrued salaries and benefits	32
Pension liability	75
Severance pay liability	152
	148
	2,980
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of capital assets	(887)
Transfer to restricted short-term deposits	(512)
	(1,399)
CASH FLOWS FROM FINANCING ACTIVITIES	
Disposition of surplus operating funds	(700)
Proceeds of long-term debt	728
Repayment of long-term debt	(130)
	(102)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,479
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,479

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

1. NATURE OF ORGANIZATION

Effective April 1, 1999 the Lieutenant Governor in Council designated the Manitoba Securities Commission as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, to enter into a management agreement with respect to the Agency.

A management agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Manitoba Securities Commission in delivering regulated services to clients.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements have been prepared in accordance with generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost and amortized over their estimated lives as follows:

Office equipment	- 20% straight-line
Furniture and fixtures	- 20% straight-line
Leasehold improvements	- 10% straight-line
Computer hardware	- 20% straight-line
Computer software	- 20% straight-line

The half-year rule is used in the years of acquisition.

Revenue recognition

Fees and cost recoveries are recognized when received. Investment income is recorded on the accrual basis.

3. CASH AND SHORT-TERM DEPOSITS

The Commission invests all surplus cash into short-term deposits with the Province's Treasury Board; these deposits are made up of 30, 60 and 90 day callable term deposits.

All interest earned was received at March 31, 2000, therefore the interest income of $43 in the income statement equals the cash flow.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

4. ACCOUNTS RECEIVABLE

Trade	$ 3
Employee computer purchases	3
	$ 6

5. RESTRICTED SHORT-TERM DEPOSITS

Reserve Fund	$ 435
Employee Pension Benefits	77
	$ 512

The Commission maintains separate short-term deposits with the Province of Manitoba to fund liabilities arising from the Reserve Fund (Note 12) and Employee Pension Benefits (Note 11).

6. RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is made up of vacation and severance pay entitlement earned by employees of the Commission prior to creation of the SOA as at April 1, 1999.

7. CAPITAL ASSETS

	Cost	Accumulated Amortization
Office equipment	$ 6	
Furniture and fixtures	48	2
Leasehold improvements	113	
Computer hardware	117	23
Computer software	603	121
	887	146
Cost less accumulated amortization	$ 741	

8. ACCRUED VACATION ENTITLEMENTS

The Commission follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1999. The liability at this date is offset by a receivable from the Province and was $117 as at March 31, 1999. Any subsequent changes to the entitlement are reflected as a current year expense to the Commission. As at March 31, 2000 there was an increase to the entitlement in the amount of $28. At the end of the fiscal year 1999/2000 the accrued vacation entitlement was $145.

9. FINANCIAL ARRANGEMENTS

Long term financing is provided for significant capital purchases are provided through the Special Operating Agencies Financing Authority. The Financing Authority has loaned the Commission $728 which was to be payable in annual installments over five years at an interest rate of 5.625% for purchase of its capital assets. The Commission has recorded the remainder of this debt of $598 (after first year payment) as a current liability as it was able to repay the entire balance on April 1, 2000. Therefore a reclassification of this liability to current was made.

The interest accrued for this debt was paid as at March 31, 2000, therefore the interest expense of $41 in the income statement equals the cash flow.

10. SEVERANCE PAY LIABILITY

Effective April 1, 1999, the Commission is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Commission. The estimate is based upon the method of calculation set by the Province of Manitoba's Department of Finance.

The Province has accepted responsibility for the severance pay benefits accumulated by the Commission employees to March 31, 1999. Accordingly, the opening severance pay liability balance as at April 1, 1999 of $137 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $137. Any subsequent change in the severance pay liability will be recorded as expense to the Commission. As at March 31, 2000 there was an increase to the liability in the amount of $15. At the end of the fiscal year 1999/2000 the severance pay liability was $152.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
March 31, 2000

11. EMPLOYEE PENSION BENEFITS

Employees of the Commission are eligible for pension benefits in accordance with the provision of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, Special Operating Agencies (SOA's) are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The methodology for calculating the liability was determined in conjunction with the Province, which accepts responsibility for prior service as well as any variance resulting from the calculation. This Policy has led the Commission to record their pension liability as at March 31, 2000 of $75.

A decision has been made that for the time being, SOA's will not be funded/matching employers for their pension obligation. Instead, each SOA will arrange with the Treasury Division the establishment of a separate investment account for pension-related funds. The Commission deposited on a quarterly basis, in this account the estimated amount of the current pension liability as advised by Finance. At the end of each fiscal year, the balance in the investment account will be adjusted to reflect the revised pension liability recorded at that date. The Commission is assuming an 8% interest rate as per the actuarial interest projection provided by Finance.

12. RESERVE FUND

The Commission has established a reserve fund to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity that have an effect on revenues. The intent is to fund the reserve, through an annual charge to retained earnings, over four years, until the fund reaches an accumulated balance of $1 million.

13. LEASE COMMITMENT

The Commission has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2000 are $113,957.

14. YEAR 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

MANITOBA SECURITIES COMMISSION
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF OPERATING EXPENSES
(in thousands)
Year ended March 31, 2000

		%
Contract services	$ 240	39
Miscellaneous	44	7
Office materials and supplies	71	11
Premises	116	19
Professional membership and dues	7	1
Professional services	53	9
Staff development	8	1
Telecommunications	44	7
Travel	39	6
	$ 622	100

MANITOBA SECURITIES COMMISSION
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
Year ended March 31, 2000

EMPLOYEE	TITLE	COMPENSATION
Don Murray	Chairman & CEO	$ 110
Bob Bouchard	CAO & Director of Capital Markets	86
Doug Brown	Director of Legal & Enforcement & Secretary to the Commission	71
Jim Storsley	Registrar - Real Estate	61
Chris Besko	Assistant Legal Counsel	56
Kim Laycock	Assistant Legal Counsel	55

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.